

NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS



**PANAMANIAN-U.S. RELATIONS TOWARDS 2000:
AN OPPORTUNITY FOR PARTNERSHIP**

by

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September, 1995

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DTIC QUALITY INSPECTED 3

19951027 079

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.

1. AGENCY USE ONLY (Leave blank)

2. REPORT DATE

September 1995

3. REPORT TYPE AND DATES COVERED

Master's Thesis

4. TITLE AND SUBTITLE

PANAMANIAN-U.S. RELATIONS TOWARDS 2000:
AN OPPORTUNITY FOR PARTNERSHIP

5. FUNDING NUMBERS

6. AUTHOR(S)

Williams, Jr., Harold E.

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

Naval Postgraduate School
Monterey, CA 93943-5000

8. PERFORMING ORGANIZATION
REPORT NUMBER

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING / MONITORING
AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT

Approved for public release;
distribution is unlimited.

12b. DISTRIBUTION CODE

13. ABSTRACT (Maximum 200 words)

This thesis reviews Panamanian-U.S. relations in an attempt to understand the possibilities in the relationship both now and beyond 2000. This subject is important because of the strategic interest of the United States in Panama and the Panama Canal. As currently planned, the United States will turn over control of the Canal and the last U.S. military forces will depart by noon on 31 December 1999. This, however, may not be necessary or desirable. After viewing three levels of analysis--the international system, domestic politics, and leadership--this thesis has determined that there are possibilities in Panama other than a total withdrawal by the United States. In the current environment (of an international system moving towards regional integration; of a domestic political reality in Panama dominated by commercial interests; and an urban, upper-class, seemingly pro-U.S. president in the leadership position), it seems that the United States could successfully pursue some involvement in post-1999 management of the Panama Canal and the renegotiation of U.S. basing rights in Panama beyond 2000.

14. SUBJECT TERMS

Panama, Panama Canal, Panama-Foreign Policy, Panama-History,
Panama-Political Parties, Basing Rights, Shipping.

15. NUMBER OF PAGES

234

16. PRICE CODE

17. SECURITY CLASSIFICATION
OF REPORT

Unclassified

18. SECURITY CLASSIFICATION
OF THIS PAGE

Unclassified

19. SECURITY CLASSIFICATION
OF ABSTRACT

Unclassified

20. LIMITATION OF ABSTRACT

UL

Approved for public release; distribution is unlimited

PANAMANIAN-U.S. RELATIONS TOWARDS 2000:

AN OPPORTUNITY FOR PARTNERSHIP

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MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

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Accession For	
NTIS CRA&I	<input checked="checked" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By _____	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	

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ACKNOWLEDGMENT

The author would like to express his appreciation to Professors Scott Tolleffson and Thomas Bruneau for their guidance in this project. Dr. Tolleffson's logical guidance was instrumental in keeping the leviathan of Panamanian-U.S. relations manageable for this thesis.

The person who is most responsible for the author's interest in Panama is his wife, Gina García Ho Williams. Being married to a well-read, helpful, Chinese-Panamanian lawyer, who has experienced so much of Panama's history first hand, is a blessing any time; it was especially so during this project.

EXECUTIVE SUMMARY

If the American Century is ending, as some suggest, then future historians will no doubt closely link the United States' military presence on the Isthmus of Panama (1904-1999) and construction (1904-1914) and control (1914-1999) of the Panama Canal with U.S. large power status in the world. Even should the United States continue to play a major role in the world, the U.S. exit from Panama on December 31, 1999 will be a seminal event in regional relations.

This thesis is a study of the strategic options facing the United States in Panama and focuses on Panamanian foreign policy development. The basic questions are: What can be done by Panamanian foreign policy makers that can meet the strategic interests of the United States? If the strategic interest of the United States was to maintain some degree of involvement in the management of the Panama Canal or continued basing of U.S. forces on the isthmus after 1999, would this be possible?

Three levels of analysis are used to frame foreign policy options for Panama: the international system, domestic politics, and leadership. The international system level of analysis, while providing useful insight into world politics during the Cold War, provides less clear indications of a state's foreign policy orientation in the 1990's. In Latin America, a pattern of "regionalization"

was formalized at the December 1994 Summit of the Americas. For Panama, the goal in this new world of trading blocs is clearly to join the North American Free Trade Agreement (NAFTA). In order to join NAFTA directly while avoiding the Central American integration process, good relations with the United States are important for Panama.

The domestic political level of analysis is important in understanding Panama's foreign policy options. The thesis presents Panamanian domestic politics as a series of political landmines through which presidents and other politicians must negotiate. The term bailar la vara (dance the stick) best describes the process. The current regime of domestic politics in Panama, which can be labeled the "New Oligarchy," is similar to past periods of oligarchical rule. During these past periods of rule, relations between Panama and the United States were good but still suffered from the polarization of partisan politics and occasional negative sentiment on the part of the Panamanian masses. The current regime of domestic politics facilitates the job of the national leader because (1) the military is not in any position to challenge the government; and (2) the United States and Canal Zone leadership are least involved in Panamanian politics since 1903.

Utilizing the leadership level of analysis, this thesis views the historical record of five past Panamanian leaders--Arnulfo Arias, José Remón, Omar Torrijos, Manuel Noriega,

and Guillermo Endara--and attempts to compare their characteristics and foreign policy behavior. If the past is any indication, Panamanian-U.S. relations are best when a member of the urban, upper-class in power in Panama. It might be added that a leader without a charismatic source of legitimacy is best for such relations. Other factors such as location of education and whether or not the leader was a military officer or civilian did not affect foreign policy disposition. President Pérez Balladares seems to provide the ideal leader for good Panamanian-U.S. relations: elected (i.e. rational, not charismatic legitimacy) and from Panama's urban, upper-class. His U.S. education, while not guaranteeing a favorable disposition, does ensure a degree of good communications.

All three levels of analysis--the international system, domestic politics, and leadership--point to a window of opportunity in Panamanian-U.S. relations. Should U.S. strategic planners decide that it is in the interest of the United States after 1999 to continue to be involved in managing the Panama Canal or that U.S. forces should remain on the isthmus, then the possibility exists that an agreement with Panama can be reached. The ingredients for success are at hand; the rest is up to the skills and tact of negotiators.

I. INTRODUCTION

If the American Century is ending, as some suggest, then future historians will no doubt closely link the United States' military presence on the Isthmus of Panama (1904-1999) and construction (1904-1914) and control (1914-1999) of the Panama Canal with U.S. hegemony in Latin America and large power status on the world stage. Even should the United States continue to play a major role in the world, the U.S. exit from Panama will be a seminal event in regional relations. This thesis is a study of the strategic options facing the United States in Panama.

While much of the literature regarding the U.S.-Panamanian relationship focuses on the strategic value of the Canal and military presence, the negotiation process leading to the 1977 Carter-Torrijos Treaties, or past tragedies such as the 1964 Flag Riots or Operation Just Cause (1989), the subject of this thesis is the development of Panamanian foreign policy. By studying the development of Panamanian foreign policy, it is hoped that a better understanding can be reached of what is possible in relations between the United States and Panama. Knowledge of diplomatic possibilities could be helpful to policy-makers as U.S. strategic concerns with Panama and the region are considered.

A. OVERVIEW

From the United States Senate ratification of the *Panama Canal Treaties* in 1979 and the subsequent *Panama Canal Act*, there have been no major alterations to the Carter-Torrijos agreements. The Panama Canal Zone and its government have ceased to exist, the Panama Canal Commission is on schedule to be turned over to

complete Panamanian control at noon on 31 December 1999, and the U.S. military departure, which has already begun, is on track to be completed at the same time. Although the entire process seems to be on an unstoppable trajectory, major questions which are of strategic interest to the United States remain unanswered only five years before the turnover.

Broadly these strategic concerns can be divided into two categories: (1) Canal management and (2) post-1999 U.S. military status in Panama. For the United States, Panama, and other nations that use the Canal heavily, these questions are of economic and military significance.

1. Canal Management

While the Panama Canal Commission (PCC), a United States government corporation, now manages the Canal under the auspices of the United States Department of Defense, this arrangement will end with this century. The U.S. personnel regulations, federal law, and pay scales that are now used for all PCC employees will no longer apply. Panama is challenged to develop appropriate regulations to allow for a smooth transition in administering the Canal. While the current PCC Board of Directors is made up of five United States citizens and four Panamanians, the post-1999 organization is developing as a Panamanian organization with no international participation. The United States management of the waterway as a public service entity providing a cheap and convenient shortcut across the isthmus of Panama contrasts sharply with the Panamanian view that the Canal can be operated at a great profit and that toll increases are feasible.

Most important for both commercial and U.S. military shipping is that the operation of the Canal continues. While many dedicated Panamanians are preparing to operate the Canal efficiently, an objective observer cannot help but note the condition of previously reverted areas--especially the Panama Rail Road--which were mismanaged and quickly fell into inoperable states. If the Panama Canal were to suffer the same fate, it would be a disaster for the shipping industry and a new challenge for U.S. strategic planners. Political Scientist Margaret Scranton sums up the situation best:

Panama must rise to the occasion. If they botch this, they will never forgive themselves, and the world will never forgive them. The Panama Canal will become an interesting historical artifact, like the pyramids, like the dinosaurs.¹

2. Post-1999 U.S. Military Status

Under the Panama Canal Treaties there will be no U.S. military presence in Panama after 1999. However, the United States will continue to have the right and obligation to protect the Canal should the neutrality or operation be threatened. In the current global environment there appears to be no external threat to the Canal and it was decided long ago that the best way to protect the facility against internal Panamanian sabotage was to placate Panamanian demands by turning over control. To show concern over protecting the Canal from an external threat reflects a long-view of the development of power-projection capabilities by global actors. Concern over this future and yet undeveloped threat is allusive for most policy-makers who are generally content with an ad hoc approach to international affairs, military planning, and the Panama Canal in particular.²

The U.S. military presence in Panama has significance beyond serving as protection for the waterway. As the United States' largest deployment to the region,

¹Tracy Wilkinson, "An Uneasy Passage in Panama," Los Angeles Times, June 6, 1994, Information Service on Latin America, Vol. 48, No. 6, pp. 76-78.

²A cyclic view of history, such as that provided by William Strauss and Neil Howe in Generations: The History of America's Future, 1584-2069 (New York: William Morrow, 1991), provides a longer view of historical development and suggests realistically that other global challenges will appear. Another helpful approach is presented in Peter Schwartz, The Art of the Long View: Planning for the Future in an Uncertain World (New York: Doubleday, 1991).

the force has been a significant factor in representing U.S. interests, showing support for democracies, and moderating the international behavior of regional states.³ United States Southern Command located at Quarry Heights, with its four-star Commander-In-Chief and staff, has been the United States military's representative for all of Central and South America. This unique in-region presence has allowed high-level relationships between the CINC and top military and civilian leaders throughout the region. After 1999, this staff will most likely be located in Miami, Florida despite arguments that it is more effective when located within Latin America.

More practical considerations are logistical in nature. For the Air Force, how will the reversion of Howard Air Force Base affect U.S. power projection in the region? How will AWACS (Airborne Warning and Control System) counter-narcotics Detection and Monitoring be accomplished without Howard? Will the resupply of embassies and other U.S. missions in Latin America be supported by flights directly from the United States? For the U.S. Navy, will the reversion of Rodman Naval Base limit the operation of ships in the Western Caribbean and off the western coast of Central and South America? Do other resupply and maintenance agreements have to be sought? For strategic planners, what would closure of the waterway mean for regional, extraregional, and global contingencies?

This thesis will not answer these potential logistical problems nor will it argue the strategic importance of the Panama Canal. These tasks are left to the staffs of

³The ten bases in Panama are, other than the small Soto Cano Air Force facility in Honduras, the only U.S. bases in Central and South America.

policy-makers. However, while this thesis is a study of Panamanian foreign policy, some basic assumptions about the importance of the canal are necessary. This thesis assumes that (1) while use of the Panama Canal by U.S. Navy warships is not vital to national defense, future inability to use the Canal could be costly for U.S. military and naval forces in lives, equipment, and national prestige; (2) closure of the Canal would result in limited and nearly world-wide economic decline, especially in nations that are most dependent on the Canal; (3) closure of the Canal would result in the realization by U.S. naval leaders that ship-building has been inadequate to protect U.S. interests in the absence of the Canal; and (4) Panamanian policy-makers have a vested interest in the continuing operation of the Canal.

It is hoped that by dissecting the factors present in the development of Panamanian foreign policy, an understanding of what is possible and what is not possible within Panama's political context can be reached. While many--especially those within the U.S. State Department who were involved in the Carter-Torrijos Treaty negotiations--view the turnover of the Canal and the U.S. military departure in 1999 as a fait accompli, the matter appears unsettled. The classic anti-reconsideration stand is that held by Robert A. Pastor who writes in Whirlpool: U.S. Foreign Policy Toward Latin America and the Caribbean:

In March and June 1991, public opinion polls in Panama indicated that a majority of the people want U.S. troops to remain in Panama after the year 2000 to defend the Canal. This situation would reopen a sore best left closed.⁴

⁴Robert A. Pastor, Whirlpool: U.S. Foreign Policy toward Latin America and the Caribbean (Princeton: Princeton University Press, 1992), p. 280.

In the 1964-1975 bureaucratic arguments over the Canal, the U.S. military held a conservative view that contrasted sharply with the "giveaway" approach followed by many at the State Department.⁵ The military, particularly the Navy, viewed control of the Panama Canal as a cornerstone of strategy. Patrolling and controlling sea lanes in the Caribbean and Gulf of Mexico had been a principal mission of the U.S. Navy since the early 19th century. Some of the Navy's thinking on the Canal was based on the writings of Alfred Thayer Mahan. In considering the geographical position of the United States, Admiral Mahan compared it to that of France.⁶ He viewed having two separate coasts negatively:

The geographical position may be such as of itself to promote a concentration, or to necessitate a dispersion, of the naval forces. Here again the British Isles have an advantage over France. The position of the latter, touching the Mediterranean as well as the ocean, while it has its advantages, is on the whole a source of military weakness at sea.⁷

The Pentagon's view until 1975 was a remnant of the "Large Policy" of President Theodore Roosevelt (1899-1908), Senator Henry Cabot Lodge, and Admiral

⁵The term "giveaway" is not mine, but rather an example of the contemptuous view that many on the right held of the State Department and subsequently President Carter's approach to the Canal issue. For discussion see Denison Kitchel, The Truth About the Panama Canal (New Rochelle, New York: Arlington House, 1978), pp. 90-98

⁶See Alfred T. Mahan, "The Panama Canal and the Distribution of the Fleet," The Panama Canal: Readings on its History, Paul J. Schieps, ed. (Wilmington, Delaware: Michael Glazier, Inc, 1979).

⁷Alfred T. Mahan, The Influence of Sea Power Upon History (Boston: Little, Brown, and Company, 1896), p. 29.

Mahan and reflected a traditional geopolitical view of the Hemisphere.⁸ The Canal was viewed, and continues to be viewed by some, as a vital life-line between the Atlantic and Pacific fleets. The journey of the *Oregon*, during the Spanish American War (1898) is still related to the necessity for the Canal. The Battleship *Oregon* was in San Francisco when the *Maine* blew up in Havana harbor. While the nation waited in suspense, the *Oregon* made the dangerous 12,000 mile journey around Cape Horn to Cuba. Strategists were quick to point out that the journey could have been only 4,000 miles had there been a Central American Canal.⁹

This traditional Pentagon view of the Canal and open challenge to the U.S. State Department ended during the administration of Gerald Ford (1974-77). In August 1975, President Ford directed that the military end its in-fighting with the State Department and publicly support the administration's efforts vis-à-vis a new agreement with Panama.¹⁰ This presidential order ended active duty grumbling over the issue, but among the retired ranks several prominent admirals came out publicly against surrendering the waterway. These Admirals included former Chiefs of Naval Operations Robert B. Carney, George Anderson, Arleigh A. Burke, and Thomas H.

⁸This view is well developed in Samuel Flagg Bemis's The Latin American Policy of the United States (New York: Harcourt, Brace and Company, 1943), Julius W. Pratt's Expansionists of 1898: The Acquisition of Hawaii and the Spanish Islands (Gloucester, Mass.: Peter Smith, 1959), and Donald A. Yerxa's Admirals and Empire: The United States Navy and the Caribbean, 1898-1945 (Columbia: University of South Carolina Press, 1991).

⁹David McCullough, The Path Between the Seas (New York: Simon and Schuster, 1977), p. 254.

¹⁰Paul B. Ryan, The Panama Canal Controversy (Stanford: Hoover Institution Press, 1977), p. 139.

Moorer. Their letter to President Jimmy Carter (1977-81), dated 8 June 1977, reflected the traditional naval view of the problem:

...the truth is that this inter-oceanic waterway is as important, if not more so, to the United States than ever. The Panama Canal enables the United States to transfer its naval forces and commercial units from ocean to ocean as the need arises. This capability is increasingly important now in the view of the reduced size of the U.S. Atlantic and Pacific Fleets.

Our experience has been that as each crisis developed during our active duty service--World War II, Korea, Vietnam, and the Cuban Missile crisis--the value of the Canal was forcefully emphasized by emergency transits of our naval units and massive logistical support for the Armed Forces. The Canal provided operational flexibility and rapid mobility.

As long as most of the world's combatant and commercial tonnage can transit through the Canal, it offers inestimable strategic advantages to the United States, giving us maximum strength at minimum cost. Moreover, sovereignty and jurisdiction over the Canal Zone and Canal offer the opportunity to use the waterway or to deny its use to others in wartime. This authority was especially helpful during World War II and also Vietnam.¹¹

B. METHODOLOGY

This thesis will study the formation of Panamanian foreign policy concerning the Canal and U.S. military presence. Three levels of analysis will be considered: (1) the international systems level, and (2) the domestic politics level, and (3) the policy-maker (or leadership) level. After determining how these levels of analysis explain Panama's historical diplomatic record, the thesis will examine current and future possibilities for Panamanian foreign policy. This analysis may be of use to military

¹¹Congressional Record, 30 June 1977, p. S11345, cited in Denison Kitchel, The Truth About the Panama Canal (New Rochelle, New York: Arlington House Publishers, 1978), pp. 220-22.

strategists and diplomats in their attempts to match United States strategic needs with possible solutions.

The level of analysis question is the key to making any meaningful estimate of future Panamanian foreign policy. If the international system is the more important level of analysis, then the change from bipolarity to multipolarity (or unipolarity as some propose) should be followed by a change in Panamanian foreign policy. Also, the decline in U.S. hegemony in the Americas noted by many observers should foster changes in Panama's foreign policy. However, the domestic politics level of analysis is also important in the formation of Panamanian foreign policy. Recognizing the importance of domestic politics in the formation of foreign policy makes the task of analyzing possibilities difficult as the influence of the various actors is considered. The traditional interests of the various domestic elites, the public, and political parties will continue to influence the formation of foreign policy unaltered by the international system's exit from bipolarity. The policy-maker is also important as an individual, rational actor. In reality pressures in each level of analysis provide boundaries for policy-makers. Past boundaries may provide evidence of what boundaries continue to exist for Panamanian policy-makers--systemically, domestically, and mentally.

C. THEORETICAL OVERVIEW

1. International Sources of Foreign Policy

The systemic theories of Morton Kaplan and subsequent work by others such as Kenneth Waltz suggest that the design of the international system determines the

state's foreign policy.¹² The essential points of the structural realist approach are that the international system is anarchic in nature, that military force is important, and that states balance against threat.¹³ This view is shared by some conservative Panamanians. Dr. Julio Linares, who served as Foreign Minister during the Endara Administration (1989-1994), believed that the structure of the international system was the dominant factor in determining Panamanian foreign policy.¹⁴ This level of analysis is the subject of chapter III: Life in an American Lake: International Sources of Foreign Policy.

One factor that has decreased the utility of the structural realist approach in studying the developing world is the school's Euro-centric concentration on great power relations and neglect of small powers. A few writers have considered the status of small states in the international system. An important work is Robert L. Rothstein's Alliances and Small Powers. In the work Rothstein proposes that "Small Powers and Great Powers are very different kinds of entities."¹⁵ The fact that small powers have been able to reach diplomatic objectives despite a lack of capabilities, seems to point out that traditional realist rules for state behavior do not always apply. Some

¹²Morton A. Kaplan, System and Process in International Politics (New York: Wiley, 1957).

¹³Robert O. Keohane, Neorealism and Its Critics (New York: Columbia University Press, 1986)

¹⁴Reymundo Gurdian Guerra, "Modelos Y Teorias en la Política Exterior Panameña," Tareas 83 (January-April 1993) (Panamá: Universidad de Panamá, 1993), p. 28.

¹⁵Robert Rothstein, Alliances and Small Powers (New York: Columbia University Press, 1968), p. 2.

interesting propositions put forth by Rothstein are:

- (1) small states often concentrate on the short-run;¹⁶
- (2) foreign policy issues often consume their whole political process;¹⁷
- (3) in the face of an eminent threat, small states may ally with or appease the enemy (i.e. bandwagoning);¹⁸
- (4) while great powers ally to balance the global system, small powers often ally "in terms of a threat to its local balance;"¹⁹
- (5) neutrality and non-alignment, often couched in very idealistic terms, ultimately allow small states to take advantage of great power rivalries; as great power rivalry decreases, non-alignment is less of a challenge to the great powers.²⁰

2. Domestic Sources of Foreign Policy

The domestic politics level of analysis provides another potentially valuable approach. In the Domestic Bases of Grand Strategy edited by Richard Rosecrance and Arthur A. Stein, the natures of domestic systems are considered and noted to have "determined key decisions and national policies toward the outside world."²¹ Domestic constraints on foreign policy-makers were considered important by Rosecrance and

¹⁶Ibid., p. 25.

¹⁷Ibid.

¹⁸Ibid., p. 26.

¹⁹Ibid., p. 62.

²⁰Ibid., p. 28 and p. 254.

²¹Richard Rosecrance and Arthur A. Stein, The Domestic Bases of Grand Strategy (Ithaca: Cornell University Press, 1993), p. 6.

Stein and they expressed this in two tables.

Table 1, "Symmetrical and Asymmetrical Domestic Conditions" from Rosecrance and Stein, provides an interesting way to view (1) status quo states and (2) revisionist states. Whether domestic conditions are (1) constrained or (2) permissive or stimulative, will encourage or cause a resultant occurrence. As an example of how this table could be applied: If we were to view Panama as a revisionist power during the period 1964-1979 with a stimulative domestic condition and match this against the United States during the same period as a status quo state, then according to Table 1 a constrained domestic condition could have lead to war or deterrence failure. This chart indicates that two countries in opposing positions on an issue are more likely to resort to real confrontation if the population of each is stimulated over the issue in question.

Symmetrical and Asymmetrical Domestic Conditions			
Domestic Conditions of Status Quo State	Domestic Condition of Revisionist Power		Permissive or Stimulative
		Constrained	
	Constrained	Peace from Mutual Restraint	War/Deterrence Failure
	Permissive or Stimulative	Peace from Self-Deterrence/ Unnecessary Deterrence	Realist World Balance of Power

Table 1: From Rosecrance and Stein, 1993, p. 19.

Domestic Constraints on Commitments and Capabilities			
Capabilities	Commitments		
		Constrained	Unconstrained
	Constrained	Unresponsiveness to international events	Overextension
	Unconstrained	Underextension	Realism Extended Deterrence

Table 2: From Ref. Rosecrance and Stein, p. 100.

Table 2, "Domestic Constraints on Commitments and Capabilities" from Rosecrance and Stein, provides a way of matching national capabilities and the domestic will of commitment with likely resultant outcomes. According to the table, if a country has constrained capabilities (i.e. limited human and natural resources) and the willingness of the public to commit is unconstrained, the overextension is likely the result. Could Panama's acceptance of the responsibility for managing the Canal be a case of overextension.

Torrijos-era Panamanian Foreign Minister Juan Antonio Tack viewed domestic politics as very important in the formation of foreign policy. In fact, he viewed the foreign policy of the Torrijos government as an extension of revolutionary domestic

politics.²² Arnold Wolfers has argued that as international constraints lessen (such as a movement away from hegemony or from bipolarity to multipolarity) differences in state behavior must be explained at the decision-maker level.²³ Should Wolfers' approach to the puzzle be correct, then the domestic level of analysis should be increasingly important.

This thesis will closely study Panamanian domestic politics in chapter 4: "Dancing the Stick: The Significance of Domestic Politics in Foreign Policy Development." The chapter will compare the foreign policy of Panama with the domestic political construct during six different political regimes: (1) the Old Oligarchy, 1903-31; Elite Populism, 1931-41; Elite Militarism, 1941-55; the Middle Oligarchy, 1955-68; Military Populism, 1968-89, and the New Oligarchy, 1989-present. During each regime, the relative positions of various interests will be considered: (1) the military, (2) the masses, (3) political parties, (4) commercial interests, (5) the elite and (6) United States Canal Zone leadership. The term "dancing the stick" (*bailar la vara*) is borrowed from Panamanian political humor and is used to describe the gesticulations of political leaders as they maneuver through the domestic political landscape.

3. The Importance of Leadership

While a systemic approach, as Morton Kaplan suggests, can provide the

²²Gurdián, p. 28.

²³Arnold Wolfers, "The Actors in International Politics," in Discord and Collaboration (Baltimore, Md.: Johns Hopkins Press, 1962), pp. 3-24.

essential rules of a system "which describe general relationships between actors of a system or which assign definite systemic functions to actors...", and a domestic politics approach can provide an understanding of the constraints and stimulation faced by national leaders, another level of analysis is needed. A leadership approach to the problem allows us to express a seemingly obvious fact, that national leaders do matter and often profoundly influence foreign policy development. Such a view in the case of Panama is very important because of the traditional strength of the presidency and the weakness of the bureaucracy. In addition to current President Ernesto Pérez Balladares, five other leaders will be studied: Arnulfo Arias Madrid, José Antonio Remón Cantera, Omar Torrijos Herrera, Manuel Antonio Noriega, and Guillermo Endara Galimany. These men together represent the history of Panama since 1931. Their individual backgrounds, political stands, and foreign policy positions will be considered. Chapter V: Leadership in Panama: Can one man make a difference? uses the theoretical approaches of Stephen D. Krasner's "Are Bureaucracies Important? (Or Allison Wonderland), of Lewis J. Edinger's "Political Science and Political Biography," of Otto Klienbergs The Human Dimension in International Relations, and of Max Weber's On Charisma and Institution Building.

Chapter II will provide a chronological discussion of Panamanian foreign policy from the 19th century to the present. Chapters III, IV, and V each consider a different level of analysis and so relate back to chapter II. The conclusions of comparison of theory and historical record will be used in Chapter VI to project future Panamanian foreign policy behavior.

Panamanian policy-makers, driven by their own characters and policy stands, have been in the past and will be in the future limited by domestic constraints and international systemic factors. In the case of Panama, domestic political considerations have been important in past foreign policy development, sometimes decisive. The major argument of this thesis is that domestic politics are more useful than international systemic changes in explaining Panamanian foreign policy and must be considered by U.S. policy-makers dealing successfully with Panamanian leaders. By recognizing domestic constraints on policy-makers, U.S. officials will be able to better understand the realm of possibilities in protecting U.S. security interests. This study of international systemic factors, domestic determinants of Panamanian foreign policy, and the character of President Ernesto Pérez Balladares will demonstrate that partial renegotiation of the Carter-Torrijos treaties is possible and that U.S. strategic interests in the Canal and the military bases in Panama can be successfully re-addressed should U.S. political leaders deem the planned total U.S. exit from Panama undesirable.

II. PANAMANIAN FOREIGN POLICY TOWARDS THE UNITED STATES

A. IN FORMATION, 1830-1903

This chapter will examine Panama's foreign policy towards the United States. The root of most disagreements between Panama and the United States since 1903 is the Hay-Bunau-Varilla Treaty. This treaty provided for U.S. President Theodore Roosevelt and other proponents of the "Large Policy" the right to construct an isthmian canal, to exercise powers in a 10-mile wide zone from the Atlantic to the Pacific--"as if sovereign," and to intervene in Panama. All of these rights were granted to the United States in exchange for a guarantee of independence from Colombia and 10 million U.S. dollars in gold and were in "perpetuity." This treaty was negotiated by U.S. Secretary of State John Hay and Phillipe Bunau-Varilla, Panama's accredited representative to the United States. Following the agreement, U.S. warships soon appeared at Colón on the Atlantic and Panama City on the Pacific thus guaranteeing Panama's independence from Colombia.¹

Panamanians, however, are quick to call the document a treaty that "no Panamanian ever signed." Understanding the role of Phillipe Bunau-Varilla, a Frenchman, is key to understanding the Panamanian point of view. Bunau-Varilla was a representative of the French Canal Company--Compagnie Universelle du Canal Interocéanique. For him, agreement with the United States meant selling the French holdings in Panama from the failed canal-building effort of Fernand de Lesseps in the

¹Good coverage of this episode is provided by David McCullough in The Path Between the Seas.

1880's. Why the leaders of the Panamanian Revolution decided to trust Bunau-Varilla to represent them in the United States is not known. As the representative of both interests Bunau-Varilla was able to make Panama's offer to the United States so inviting that it would guarantee the U.S. purchase of the French Canal Company and provide him a great personal profit.

B. DURING THE OLD OLIGARCHY, 1903-31

The diplomatic disaster (the Hay-Bunau-Varilla Treaty) was left in the hands of President Amador. Amador and a delegation of leading Panamanians arrived in Washington only two hours after the treaty had been signed.² In fact, Bunau-Varilla knew the Panamanian leader was on the way from New York and so rushed the agreement through. Amador was left with a simple choice: accept the treaty or reject it and face losing the U.S. guarantee of protection. Amador and the other revolutionary leaders accepted the treaty and in fact included parts of it in the 1904 Constitution. Article 136 is referred to as the Panamanian Platt Amendment:

"The Government of the United States of America will be able to intervene in whatever point of the Republic of Panama, to reestablish public peace and constitutional order if it has been disturbed, because by virtue of a public treaty that nation assumes or has assumed the obligation of guaranteeing the independence and sovereignty of the Republic."³

Early Panama-U.S. relations were close with a high degree of cooperation

²William J. Jordan, Panama Odyssey (Austin: University of Texas Press, 1984), p. 24.

³Ramón E. Fábrega and Mario Boyd Galindo, Constituciones de La República de Panamá (Panamá: Talleres Gráficos de Impresión Educativa, 1981), p. 288.

during the building of the Canal (1904-1914). The closest ties were between Panama's traditional oligarchy and the senior leadership in the Canal Zone. There was some resentment by Panamanians of how the Americans wanted to change the country, to make it reflect American ideals of sanitation, cleanliness, and morality. This was expressed in a folk song of the era (translated to English):

The Gringos invade our houses
And tell us just what we must do.
The Gringos are the bosses;
Panameños, you are on the spot.
They make us learn to walk the chalk,
Like fence posts in a row,
They dig and pave and scrub the streets;
They're even cleaning up the jail.
You might suppose that they are mad,
But all Americanos act like that.⁴

In addition to being concerned about public health matters in Panama, the United States was also interested in ensuring that no unrest interrupted work on the Canal. The United States reasoned that the best way to ensure peace was to have the most popular man in Panama as national leader. Following this reasoning, free and fair national elections in Panama were vital for completion and smooth functioning of the Canal. This led to United States intervention into Panamanian electoral affairs in 1908, 1914, and 1918. It should be noted that these interventions were unopposed, invited, and always sought by the party that was out of power and fearful that electoral fraud would deny them victory.

⁴John E. Minter, The Chagres: River of Westward Passage (New York: Rinehart & Co., 1948) p. 346 cited in Herbert and Mary Knapp, Red, White and Blue Paradise: The American Canal Zone in Panama (New York: Harcourt Brace Jovanovich, 1984), p. 22.

These early interventions were generally uneventful and simply involved the election being overseen or conducted by U.S. Army troops and officials of the Panama Canal Company. Nationalists who lost a particular election due to not being able to use fraud, would condemn the U.S. presence, but return four years later to ask for American intervention to guarantee a fair election. Belisario Porras's actions are a good example. When he asked U.S. Secretary of State Frank B. Kellogg for American intervention to conduct the elections of 1932, Taft refused and sternly reminded the nationalist former-President of his previous opposition to U.S. involvement.⁵ Despite later requests from the opposition, the 1918 intervention was the last in electoral matters until 1989. This change in policy on interventions partially stemmed from the negative experience of the 5th Infantry Regiment in Chiriquí province. The regiment was tangled in a local conflict involving an American citizen's property and was unable to extricate itself for two years. From 1920 to 1989, Panama ran its own elections with or without fraud and without U.S. involvement.

During the first two decades of the Republic, Panama rarely opposed the United States on issues of international significance. Panamanian leaders often basked along with the Canal Zone leadership in the success of building the Canal and cleaning up the port cities. At the 1910 International Conference of American States, Belisario Porras gave a "well-received recital" of the successes in Panama in the areas

⁵Julio E. Linares, Enrique Linares En La Historia Política de Panamá (San José: Litografía e Imprenta LIL, 1989), p. 267-8.

of controlling disease and sanitation.⁶ The fact that the U.S. was in charge of water and sanitation in Panama City and Colón and that Dr. William Gorgas of the Army Medical Corps led the effort to make Panama medically safe did not lessen the pride that Panama took in these achievements.⁷

During this period, Panama was supportive of U.S. diplomatic efforts. During the discussions of the Drago Doctrine (1906 and 1907), which was a theory of absolute non-intervention, Panama supported the United States in attempting to weaken the proposed treaty. Panama supported the U.S.-proposed Porter Proposition, which made a debtor nation's refusal to submit to arbitration a valid exception to the non-intervention standard.⁸

During World War I, Panama and the United States worked together to ensure that the Central Powers were not allowed to use the Canal. Because the Canal was declared "neutral in perpetuity" by the 1903 Hay-Bunau-Varilla Treaty, agreement between Panama and the United States was necessary in order to ensure that the Canal was legally used to favor the Allies and that the agreement between Panama and the U.S. on neutrality could not be extended to a third party such as Germany. When coaxed by Argentina and Mexico to join an alliance of American neutrals, Panama "snubbed the proposal and made clear her solidarity with the United States."⁹

⁶Lawrence O. Ealy, The Republic of Panama in World Affairs, 1903-1950 (Westport, Conn.: Greenwood Press, 1951), p. 32.

⁷Ibid., p. 32.

⁸Ibid., p. 30.

⁹Ibid., p. 44.

Following World War I there was an increase in anti-U.S. sentiment in Panama. The fact that the United States had seemingly sided with Costa Rica in the 1921 border conflict was viewed negatively by the general populace.¹⁰ Panama's participation in the League of Nations during this period encouraged Panamanian diplomats and scholars to discuss the "juridical equality of states." However, over and over the extreme asymmetry of the Panama-U.S. treaty relationship and the American's treaty rights made this concept meaningless for Panama. In 1925, when General Pershing and his forces stopped for liberty in Balboa on their way to Tacna-Arica, large anti-U.S. demonstrations occurred. This was the first of many low points of public opinion of the U.S. in Panama.¹¹

In 1926 an attempt was made to replace the 1903 treaty; however, the effort was unsuccessful. The stillborn treaty was referred to as the Kellogg-Alfaro Treaty. Under the proposed treaty, the U.S. agreed to forbid commercial establishments in the Canal Zone (except those operated by the U.S. Government), to restrict commissary sales to government employees, and to give Panamanian merchants facilities for supplying ships in the Canal Zone. The document would have obligated Panama to participate in any war that the U.S. was involved in, to construct roads, and to allow U.S. military exercises throughout Panamanian territory. The populace was opposed to the treaty and members of the Assembly were threatened with death if they favored it. On 26 January 1927, the Assembly suspended all consideration of the ratification in

¹⁰Ibid., p. 61.

¹¹Ibid., p. 62.

order to avert further unrest.¹² Behind the scenes, this unacceptable treaty proposal gave the secret, bourgeois, political group *Acción Comunal* a new nationalist, anti-U.S. cause.¹³

C. DURING ELITE POPULISM, 1931-41

During Elite Populism, Panamanian diplomats continued to stress the concept of absolute non-intervention. The anti-U.S. hostility that climaxed in 1926 declined and, by 1933 and the inauguration of Franklin Roosevelt, a sense of benevolence had returned to the relationship. While welcoming the American acceptance of non-intervention, Panamanians still felt that they had to announce that they would resist future land grabs by the U.S.¹⁴

In 1936 with the Hull-Alfaro Treaty, Panama accomplished a major goal of its foreign policy--the abrogation of the U.S. right to intervene in Panama. This was a full expression of President Franklin Delano Roosevelt's Good Neighbor Policy.¹⁵ In addition to losing the right to intervene, the U.S. also gave up the right to unilaterally seize properties in Panama.¹⁶

In 1940, Dr. Arnulfo Arias Madrid was elected President. Dr. Arias had sympathies for fascism and the German cause. As a diplomat in Europe in the 1930's,

¹²Ibid., p. 63-4.

¹³Linares, p. 257.

¹⁴Ealy, p. 79.

¹⁵The ideas of non-intervention and the equality of nation-states were cornerstones of the Good Neighbor Policy.

¹⁶Ibid., p. 80.

during the administration of his brother, Harmodio Arias (1936-40), Arnulfo met with Hitler and Mussolini.¹⁷ It was during this time that he developed his own racist and nationalistic doctrine, called *La Doctrina Panameñista* (the Panamanian Doctrine). His rhetoric went beyond disdain for minorities and placed the blame for nearly all of Panama's problems on the United States. Needless to say, Arnulfo Arias was a thorn in the side of the United States. The United States encouraged Arias to allow U.S.-owned, Panamanian-registered ships to be armed in mid-1941, but Arias resisted.¹⁸ While the United States did not directly participate in the October 1941 coup to remove Arias, the U.S. at least implicitly approved of the action. Many supporters of Arnulfo Arias identified the U.S.-Panamanian disagreement over arming merchant vessels as the clear reason for the coup and charged that the United States played a large role in the action.¹⁹

D. DURING ELITE MILITARISM, 1941-55

Arias's overthrow brought intensified Panamanian support of U.S. efforts to prepare for war. In the period immediately leading up to the U.S. entry into World War II, the U.S. defense establishment in Panama grew significantly. Troop numbers grew to over 69,000 by 1943, some 130 new defense sites were manned, and 14 new airbases were established outside of the Canal Zone to protect the approaches to the

¹⁷The Arias brothers were often, but not always in agreement.

¹⁸Ealy, p. 110.

¹⁹For a review of the *Panameñista* history on the subject, see Demóstenes Vega Méndez, *El Panameñismo y Su Doctrina* (Panamá: La Estrella de Panamá, 1963), pp. 65-73.

Canal. Beyond allowing the United States additional bases in Panama, Panamanian flagged ships were armed (in October of 1941) and played a large role in the cross Atlantic convoys to Great Britain and the Soviet Union. As author Lawrence Ealy writes:

"One of the immediate results of Panama's predominately pro-Allied sentiment was seen in the use of her flag to circumvent restrictions of the United States Neutrality law, which in 1939 excluded U.S. ships from war zones...it may truthfully be said that the Panamanian colors were the first of any Pan American nation to fly over major operations designed to bring about the defeat of the Axis."²⁰

On the Panamanian homefront, domestic actions also took on a pro-U.S., pro-United Nations fervor. The government ran a patriotic radio station, *La Boca de Democracia*, which constantly stressed the importance of the United Nation's cause to Panama.²¹ The populace took pride in the fact that Panamanian merchant vessels with Panamanian captains and crewmen were involved in the dangerous resupply missions to Murmansk. The National Police, under the leadership of Lt.Col. José Remón, also contributed to the effort by organizing youth and civil defense groups. In areas of importance, like protection of the Canal and Counter-Intelligence, the Panamanian Police and the Canal Zone Authorities worked together like a well-oiled machine. U.S. liaison officers served in key billets throughout the Panamanian government. A joint effort was made to censor mail, telephone, and telegraph services.²²

²⁰Ealy, pp. 107-8.

²¹Ibid., p. 114.

²²Ibid., p. 112.

The post World War II era was difficult for Panama as economic depression from the U.S. reduction in forces took effect. Nationalism, social tension, and economic depression led to a worsening in Panamanian-U.S. relations. Merchants were especially jealous of the U.S. commissary system which seem to be drawing away their customers. The original agreement on the World War II-era bases called for their return to Panama within one year after peace. Panamanians assumed this meant no later than 1 September 1946—one year after the surrender of Japan. However on 29 August 1946, the American Embassy sent a note to Panamanian President Enrique A. Jiménez (1945-48) asking to initiate negotiations on extending the U.S. presence at the sights. The Panamanian response was negative. The United States opted to continue to occupy the facilities and to seek a diplomatic agreement. Panama did not agree to talks until May 1947.²³ Agreement was reached in December of 1947 in the Filós-Hines Treaty.

The National Assembly however did not ratify the agreement. Panamanian students were especially vocal in calling for the treaty to be rejected.²⁴ As the police used violence against the students, protests only grew angrier and began to include populist voices like Arnulfo Arias, a candidate in the 1948 Presidential Election.²⁵ As soon as the National Assembly's vote not to ratify became known, the United States

²³Larry L. Pippin, The Remón Era: An Analysis of a Decade of Events in Panama, 1947-1957 (Palo Alto: Stanford, 1964), pp. 9-10.

²⁴Ibid., p. 16.

²⁵Ibid., p. 17.

ordered immediate withdrawal from the facilities. This action, however, did not restore Panama's faith in the U.S. keeping its word. Author Larry Pippin refers to this incident as the United States' "worst diplomatic blunder."²⁶

In the 1950's Panama tried and succeeded to get the United States to deal with matters of concern, especially commercial relations and the matter of sovereignty. Remón wanted agreement that the treaties governing the Panama Canal could be modified by mutual consent, "equal employment opportunities" in the CZ for Panamanians, agreement on a date after which Panamanians would assume responsibility for resupply of ships in transit, and more economic opportunities for Panamanian businessmen in the Canal Zone.²⁷ The Eisenhower Administration (1952-60) agreed to give Panamanians equal opportunity and to allow Panamanians to resupply ships after 31 December 1956. During the discussions, Panama granted the United States use of the Rio Hato Air Base rent-free for 15 years.²⁸

E. DURING THE MIDDLE OLIGARCHY, 1955-68

The year 1964 was a turning point in Panamanian foreign policy. After the effort by Panamanian high school students from the Instituto Nacional to raise a flag at Balboa High School got out of control and resulted in a pitched battle between U.S. troops and Panamanian civilians, the government of Panama led by Rodolfo Chiari--recognizing that they could not control the situation--opted to join the nationalist

²⁶Ibid., p. 9.

²⁷Ibid., p. 117.

²⁸Ibid., p. 116-7.

struggle. By removing Panamanian forces from the border along the Canal Zone, Chiari forced the United States Southern Command into the no-win task of bringing the situation under control. Five Americans and 21 Panamanians died. "Cuatro de Julio" (Fourth of July) Avenue that separated the Canal Zone from Panama was renamed "Avenida de los Mártires" (Avenue of the Martyrs).

While diplomatic relations were reestablished on 16 March 1964, relations never returned to the pre-1964 condition.²⁹ Panamanian leaders recognized that they had to lead and not be victims of the nationalist struggle to recover the Canal Zone. U.S. leaders realized that they had to satisfy the Panamanians or face urban guerrilla warfare or sabotage against the Canal. It was this thinking that led U.S. leaders to believe the best way to insure protection of the Canal was to turn it over to Panama. Some authors see this as a clear case of capitulation to blackmail.³⁰

President Lyndon Baines Johnson (1963-1969) immediately recognized the gravity of the situation in Panama and in late 1964 negotiations over a new set of treaties began. These treaties were concluded in 1967, but were unacceptable to the Legislative branches in both the United States and Panama. When news leaked on the treaties' details, the Panamanian National Assembly voted to impeach President Marco Robles (1964-68). However, Robles remained in office with support of the National

²⁹Jorden, p. 81.

³⁰Whether the 1964 Flag Riots were a spontaneous or an orchestrated event is a good subject for debate. Some authors, to include Jules Dubois in Trouble Over Panama (Indianapolis: Dobbs-Merrill, 1964), have argued convincingly that the riots were well organized by various Communist groups.

Guard.³¹ Robles and Johnson agreed to shelve the project for their mutual political benefits.³²

F. DURING MILITARY POPULISM, 1968-89

The coup in 1968 was not marked by an immediate change in Panamanian foreign policy. Initially, there was no indication that the new government would take a leftist, populist stand. However, the populist aspects of the regime developed more distinctly after the attempted coup against Torrijos in 1969. After this failed coup attempt by Col. Amado Sanjur, Torrijos was recognized *expo facto* as the real leader of the 1968 Revolution. Torrijos believed that the CIA was behind the coup plot and this belief tempered his view of Americans.³³ Torrijos was more suspicious than ever.

From 1968 until 1971, the issue of the Canal Zone was rarely mentioned in Washington. In Panama, General Torrijos felt pressured to revive the 1967 treaties and approve them, but he viewed the documents as flawed.³⁴ He wanted to start over and negotiate a treaty for all Panamanians; he closely connected the 1967 treaties with the oligarchy. Discussions began very quietly in mid-1971. From that point until the treaties were ratified, the Torrijos government demanded an end to the Canal Zone,

³¹U.S. Senators viewed the treaty as a give-away plan. Panamanian Assemblymen viewed the treaty as yet another affront to Panamanian sovereignty.

³²Michael L. Conniff, Panama and the United States: The Forced Alliance (Athens: University of Georgia Press, 1992), p. 124

³³Seymour M. Hersh, "The Creation of a Thug: Our Man in Panama," Life, January 1990, p. 84.

³⁴Jorden, p. 148.

a date for U.S. military withdrawal, and a date for the complete turn over of Canal operations. They used the threat of mass assault on the Canal as an encouragement for the Americans to accede to Panama's demands. Ultimately, the demands were met.

General Torrijos chose the United Nations as his main venue of attack on the United States. In 1973, the majority of the Security Council agreed to meet in Panama. The meeting was an embarrassment for the United States. Torrijos spoke to the council on the need for revision of the U.S.-Panama relationship and a resolution calling for major changes was voted upon. In order to stop the resolution, the United States exercised its veto power for only the third time in history.³⁵ Panama's Foreign Minister Juan Antonio Tack, announced that "The United States has vetoed Panama, but the world has vetoed the United States!" This was a key victory for Panama and within two months the U.S. National Security Council reported to Congress that it was time to renegotiate treaties with Panama.³⁶

The first agreement on how to negotiate new treaties was the Kissinger-Tack Agreement, which was approved by both sides in January 1974. Ambassador William Jorden provides an excellent summary of the agreement:

"The main features of the new agreement were the decision to write a new treaty to replace that of 1903 and to give it a fixed termination date; ending the U.S. jurisdiction in the Canal Zone "promptly"; recognition of the U.S. right to use the lands, waters, and airspace required to operate and protect the canal; recognition of Panama's right to 'a just and equitable share' of canal profits; agreement

³⁵One reason that the United States was alone on this issue was the fact that the U.S. had not supported Britain and France during the Suez Canal crisis in 1956.

³⁶Conniff, p. 131.

that Panama would participate in both the administration of the Canal and its defense; an understanding that the two countries would work out an agreement on expanding canal capacity."³⁷

Negotiations over the Canal issue continued intermittently throughout the Nixon and Ford years. The Panamanian position remained basically unbending, while the American negotiators occasionally gave in on various issues and carefully watched domestic politics in the United States. Within Panama, demonstrations occurred with some degree of regularity and more than a few were aimed at the U.S. Embassy. Statements made by negotiators or high-ranking U.S. officials were often met in Panama with anti-Americanism. While Torrijos was not directly controlling these demonstrations--at least not always--his anti-Canal zone rhetoric was guiding the general anti-American fervor. He stated, "I do not want to go into history. I want to go into the Canal Zone." The 1976 U.S. Presidential Campaign put the effort on hold, as President Gerald Ford (1974-77) ducked questions relating to the Canal, because candidate Ronald Reagan was using the Canal issue against Ford in the Republican primaries. Candidate Jimmy Carter gave little indication before inauguration of how he would approach the issue, but stated that he would "never give up complete control" of the Canal Zone.³⁸ Panamanians, especially Torrijos, grew weary of the campaign. After inauguration, gears were changed and Carter made Panama his top priority.

The Carter-Torrijos Treaties were completed in 1977. President Carter and

³⁷Jorden, p. 216.

³⁸Jorden, p. 329.

Chief of State Torrijos signed the documents in Washington, D.C. at a gathering of regional heads of state. Torrijos came to trust Carter personally and felt that the President wanted to do the right thing. The ratification fight, however, was another story. While Torrijos was successful in Panama in getting the treaties approved in a national referendum, the U.S. Senate ratification was not so easy for President Carter. As the vote neared, Torrijos's threat of taking the Canal Zone by force was very much on the minds of many in Washington and Panama.

Just how close Torrijos came to taking military action was hinted at in a speech that Torrijos gave on radio and television in Panama on the evening that the treaties were passed. "Today, the Canal came within two votes of being destroyed...tomorrow we would have started our struggle for liberation, and possibly tomorrow the Canal would not be operating any more."³⁹ A year later, Torrijos reassured Ambassador Jorden that his threat had been real. According to Torrijos, small special forces units were trained to incapacitate the Canal and were in the field as the Senate voted. The troops were recalled by Torrijos, using a special code.⁴⁰

From the Senate ratification of the Canal Treaties until 1986, Panama-U.S. relations were good. While Panama reserved the right to act alone in some instances, the United States enjoyed good relations with the military leaders, including General Manuel Noriega. Treaty implementation was on track, although many in the U.S. were critical of Panama's dismal effort to maintain reverted properties, especially the

³⁹Ibid., p. 623.

⁴⁰Ibid., p. 625.

Panama Rail Road. The next major change in Panama's foreign policy towards the United States was in 1987. As allegations of drug trafficking by Noriega and the PDF were made and interest in Panama's record on Human Rights grew, the Bush Administration slowly distanced itself from Noriega. Author John Dinges believes that the final break occurred after June 1987 when "clear opposition to Noriega emerged in the Reagan administration." The administration opposition developed because of mass protest in Panama, the impending indictment of Noriega, and Congressional pressure.⁴¹ On 5 January 1988 U.S. Attorney Robert Merkle in Tampa announced the indictment of General Noriega on twelve counts of broad conspiracy under the Racketeer Influenced and Corrupt Organizations (RICO) Act.⁴² This U.S. action embittered the Noriega government and put the United States and Panama on the way to 20 December 1989. The anti-Americanism of the post-June 1987 Noriega regime encouraged a hostile attitude towards American citizens in Panama and provided President Bush with another reason to launch the invasion, to protect U.S. lives.

G. DURING THE NEW OLIGARCHY, 1989-

Panamanian foreign policy towards the United States during the Endara Administration is difficult to judge. Even though U.S. forces were clearly responsible for placing Endara in power, he was reluctant to indicate any support for the invasion. Others in his administration, especially members of MOLIRENA, clearly supported the

⁴¹John Dinges, Our Man in Panama (New York: Random House, 1990), pp. 313 and 331.

⁴²Ibid., p. 295.

U.S. action. Regardless of Endara's personal disposition, he did work closely with the United States to re-establish democratic government in Panama. However, beyond this Endara was not in a position to address larger issues. He made it clear that he would not negotiate any new agreement concerning the Canal or U.S. bases. Late in his administration, Endara became hostile towards the United States over allegations that his government was not participating in the regional counter-narcotics effort.⁴³ On all of these issues, Endara's political weakness and nature as a U.S.-installed president was a major factor.

The inauguration of Ernesto Pérez Balladares marked a change in Panamanian foreign policy. Legitimized by free and fair elections and inaugurated without external support, Pérez Balladares was strong enough to do some things that Endara could not accomplish. He immediately carried out his promise to allow Cubans to be temporarily housed on U.S. installations in Panama. This gained him friends in Washington and took pressure off of President Bill Clinton (1993-). During the Haiti crisis, Pérez once again came to the rescue by providing asylum to exiled-Haitian military leader General Raul Cedras.

President Pérez Balladares has indicated a willingness to discuss U.S. bases in Panama after the year 2000, but says that the United States will have to come to him with a viable reason--such as counter-narcotics--for keeping the forces there. Pérez appears to have more maneuver room than did Endara and has been more helpful to

⁴³Tod Robberson, "U.S. Sounds Alarm on Drug-Linked Corruption in Panama--Again" Washington Post, 31 January 1993, p. A-20.

the United States. However, his domestic support and legitimacy suggest that he has greater latitude to move against U.S. interests, if he chooses to do so.

So far, it seems that President Pérez Balladares will use his powers as a political leader to positively affect the Panamanian-U.S. relationship. His foreign policy priorities are in line with U.S. priorities and the concept of regional integration that was verbalized at the 1994 Miami Summit. The administration's foreign policy in general does require good Panamanian-U.S. relations at every level. As set out by Foreign Minister Gabriel Lewis Galindo, the Panamanian Foreign Ministry's tasks are:

(A) Preparing a harmonious transition from a U.S. administration to a totally Panamanian administration of the Panama Canal.

(B) Promoting foreign investment in Panama.

(C) Working closely with Mexico, the United States, and Canada to achieve Panama's acceptance into NAFTA, following our acceptance into GATT.

(D) Fostering and ensuring close relations with the United States in fulfilling the Torrijos-Carter treaties and in all areas of mutual interest (the fight against drug trafficking, money laundering, and illegal immigration, and trade and cultural exchanges).

(E) Achieve Panama's entry into APEC (Asia-Pacific Economic Cooperation).⁴⁴

Clearly the general sentiment of the Pérez Balladares administration towards relations with the United States is positive and filled with more possibilities for cooperation than any Panamanian administration since World War II.

⁴⁴La Estrella de Panamá, "Ministry Outlines President's Foreign Policy Strategy," 20 December 1994, p. B-10, FBIS.

III. LIFE IN AN AMERICAN LAKE: INTERNATIONAL SOURCES OF FOREIGN POLICY

Because the design of the international system is believed by many political scientists to be the determining factor in a state's foreign policy, it is appropriate that this study compare the structure of the international system over time with the development of Panamanian foreign policy.

A. CHAPTER OVERVIEW

1. Theoretical Approach of This Chapter

In the case of Panama, there are two systemic considerations that must be studied if the international determinants of foreign policy behavior are to be seriously considered: (1) the design of the world system and (2) the design of the Interamerican system.

a. International system sources of foreign policy

Dr. Julio Linares, who served as Foreign Minister during the Endara Administration (1989-1994), believed that the structure of the international system was the dominant factor in determining Panama's foreign policy.¹ Dr. Linares and other Panamanians who have studied the subject have drawn on international sources and have applied the theories, but have developed no new theories.

In considering the international system, Morton Kaplan's System and Process in International Politics (1957) is useful. Kaplan relates the power divisions and alliance

¹Reymundo Gurdíán Guerra, "Modelos Y Teorías en la Política Exterior Panameña," Tareas 83 (January-April 1993) (Panamá: Universidad de Panamá, 1993), p. 28.

structure with the behavior of states. He is careful, however, to point out that this "is not a law in the sense of physical laws; it merely specifies characteristic behavior."²

While Kaplan was optimistic that understanding the nature of the international system could be helpful in explaining the behavior of individual states, he was realistic and compared predicting the behavior of a single nation-state to a phenomenon in the physical world: "The scientist cannot predict the path of a single molecule in a tank of gas."³

Kaplan's work is, however, somewhat limited in that small states are only a minor consideration. One work that helps to bridge this gap between systemic theories and the small nation-states is Robert Rothstein's Alliances and Small Powers (1968).

Rothstein put forth some interesting propositions on the behavior of small states:

- (1) Small states often concentrate on the short-run.⁴
- (2) Foreign policy issues often consume the whole political process.⁵
- (3) In the face of eminent threat, small states may ally with or appease the enemy (i.e. bandwagoning).⁶
- (4) While great powers ally to balance the global system, small powers often

²Morton A. Kaplan, System and Process in International Politics (New York: Wiley, 1957), p. 9.

³Ibid., p. xvii.

⁴Robert Rothstein, Alliances and Small Powers (New York: Columbia University Press, 1968), p. 25.

⁵Ibid.

⁶Ibid., p. 26.

ally "in terms of local balance."⁷

(5) Neutrality or non-alignment, often couched in very idealistic terms, ultimately allow small states to take advantage of great power rivalries; as great power rivalry decreases, non-alignment is less of a challenge to great powers.⁸

b. As a small state in an "American Lake"

Even a combination of Kaplan's systemic work and Rothstein's work on small states does not sufficiently explain the positions of small states within Latin America. Panama's uniqueness is also problematic in understanding its relative position within the international or Interamerican system. It has resisted being grouped with Central America and has basically avoided regional integration with Central America. At the same time, although historical ties with South America are strong, the geographical reality of mountains and the Darién jungle makes overland travel into Colombia nearly impossible and more worthy of adventurers than merchants.

The significance of Central America and the Caribbean as being within an "American Lake," i.e. geographically close to the regional hegemon--to the United States--cannot be overstated. This hegemonic interest in the region will be included in this chapter's discussion of the Interamerican system. Panama's unique importance to the United States, as the geographical cornerstone of turn of the century "Large Policy," is implicit within this discussion.

⁷Ibid., p. 62.

⁸Ibid., pp. 28 and 254.

2. Are Systemic Factors Worth Studying?

Systemic factors represent only one of the three levels of analysis being studied for this thesis. While it is not the most explanatory level of analysis, it is a necessary consideration. It is the environment within which states behave and is a predecessor to the second level of analysis to be considered--domestic politics. The systemic level of analysis is important in explaining Panama's foreign policy behavior during periods of intense international struggle, such as World Wars I and II.

B. THE WORLD SYSTEM

In order to describe all possible international systems, Kaplan devised six models: "(1) the 'balance of power' system, (2) the loose bipolar system, (3) the tight bipolar system, (4) the universal system, (5) the hierarchical system in its directive and non-directive forms, and (6) the unit veto system."⁹

1. "Balance of Power" System

Kaplan believes that the "Balance of Power" model best describes the international system during the 18th and 19th centuries and up to World War II.¹⁰ He proposes six essential rules of behavior for states in such a system:

- (1) Act to increase capabilities but negotiate rather than fight.
- (2) Fight rather than pass up an opportunity to increase capabilities.
- (3) Stop fighting rather than eliminate an essential national actor.
- (4) Act to oppose any coalition or single actor which tends to assume a position of predominance with respect to the rest of the system.
- (5) Act to constrain actors who subscribe to supranational

⁹Ibid., p. 21.

¹⁰Ibid., pp. 22-26.

organizing principles.

(6) Permit defeated or constrained essential national actors to re-enter the system as acceptable role partners or act to bring some previously inessential actor with the essential actor classification. Treat all essential actors as acceptable role partners.¹¹

In Kaplan's view the "Balance of power" system ended in the late 1930's as British Prime Minister Chamberlain opted to compromise with Germany instead of opting to ally with the Soviets to balance against the German threat. This violated rules one, two, four, five, and six.¹²

2. Loose Bipolar System

The system that developed in the wake of World War II is categorized by Kaplan as a "Loose Bipolar System." The leading actors of the blocs were the United States and the Soviet Union. Kaplan believed that the U.S.-led bloc was non-hierarchical in nature. The essential rules of the loose bipolar system are:

1. All blocs subscribing to directive hierarchical or mixed hierarchical integrating principles for the international system are to eliminate the rival bloc.
2. All blocs subscribing to directive hierarchical or mixed hierarchical integrating principles for the international system...are to negotiate rather than fight, to fight minor wars rather than major wars, and to fight major wars...rather than to fail to eliminate the rival bloc.
3. All bloc actors are to increase their capabilities in relation to those of the opposing bloc.
4. All bloc actors subscribing to non-hierarchical or non-directive hierarchical organizational principles for the international system are to negotiate rather than fight to increase capabilities, to fight minor wars rather than to fail to increase capabilities, but to refrain from initiating major wars for this purpose.
5. All block actors are to engage in major wars rather than

¹¹Ibid., p. 23.

¹²Ibid., p. 31.

permit the rival bloc to attain a position of preponderant strength.

6. All bloc members are to subordinate objectives of universal actors to the objectives of their bloc but to subordinate the objectives of the rival bloc to those of the universal actor.

7. All non-bloc member national actors are to coordinate their national objectives with those of the universal actor and to subordinate the objectives of the bloc actors to those of the universal actor.

8. Bloc actors are to attempt to extend the membership of their bloc but to tolerate the non-member position of a given national actor if non-tolerance would force that national actor to support the objectives of the rival bloc or to join the rival bloc.

9. Non-bloc member national actors are to act to reduce danger of war between the bloc actors.

10. Non-bloc members are to refuse to support the policies of one bloc actors against the other except in this capacity as a member of a universal actor.

11. Universal actors are to reduce the incompatibility between the blocs.

12. Universal actors are to mobilize non-bloc national actors against cases of gross deviancy, for example, resort to force, by a bloc actor. This rule, unless counteracted by other rules, would enable the universal actor to become the prototype of an international political system.¹³

3. Post-Cold War Era

While Kaplan's work is dated, it seems clear that the end of the Cold War marked the end of loose bipolarity. Which of the other models best describe the current international system is subject to debate.¹⁴ While some suggest that the international system is returning to its pre-World War II design, it is clear that technology has made many of the lessons of the pre-nuclear age obsolete. In the post-

¹³Ibid., pp. 38-39.

¹⁴After careful consideration of each of Kaplan's theoretical models, it seems that we are either (1) in transition or (2) in a system not envisioned by Kaplan and not easily described.

Cold War world, describing power and counting the number of political poles in the world is not such an easy task.

Considering the traditional realist conception of "power"--of a military nature, many have argued that we are at a unipolar moment.¹⁵ However, others believe that military capability (the traditional realist measure) is less relevant now than in the past and that other areas of relative strength must be considered, such as economic and political power.

If we look to economic power as a measure of national strength, then the world is not in a unipolar moment. In fact John Lewis Gaddis points out that "Bipolarity never did exist in the economic realm: there power shifted from a unipolar to a largely tripolar configuration dominated by the United States, the European Community, and Japan, with the Soviet Union an isolated bystander."¹⁶ Others have referred to this as the trilateral system--where economic power is shared between Europe, the United States, and Japan.

It is in the area of ideological power that the end of the Cold War means the most--especially to Latin America. Communism as a political philosophy had lost the fight to capitalism and democracy. Gaddis believes that Communism had lost the fight long ago "when people [had] the right to choose between them."¹⁷ However,

¹⁵One example of such literature is Charles Krauthammer, "The Unipolar Moment," Graham Allison and Gregory F. Treverton, eds., Rethinking America's Security: Beyond Cold War to New World Order (New York: W.W. Norton & Company, 1992)

¹⁶John Lewis Gaddis, The United States at the End of the Cold War (New York: Oxford University Press, 1992), p. 173.

¹⁷Ibid.

within Latin America the attraction of this alternative political doctrine was attractive to the political left and provided impetus for revolutionary struggle well into the 1980's.

Political Power is closely related to ideological power, but different. Political power and influence has been diversified in the world with modern communications and increased contact. For Latin America this multipolarity of political power means increased political contact with Europe and Asia. This could be viewed as largely symbolic. Examples might include the European involvement in the 1980's Central American peace process.¹⁸ In estimating the trajectory of political power divisions in the world, Author Paul Kennedy suggested in 1987 that there seemed to be a "pentarchy" developing with five political poles: the United States, the USSR, China, Japan, and the EEC. Whether Russia will take its place within the "pentarchy" is uncertain.¹⁹

¹⁸Alberto Van Klaveren, "Europe and Latin America in the 1990s," Abraham F. Lowenthal and Gregory F. Treverton, eds., Latin America in a New World (Boulder: Westview Press, 1994), pp. 81-104.

¹⁹Paul Kennedy, The Rise and Fall of Great Powers (New York: Vintage Books, 1987), p. 538.

Post- Cold War Polarity Along Five Dimensions	
Nuclear	Bipolar
Conventional Armaments	Unipolar or Multipolar
Economic	Multipolarity or Tripolarity
Political	Multipolarity
Ideological	Unipolarity ²⁰

Table 3: Author

C. THE INTERAMERICAN SYSTEM

The Western Hemisphere, and especially Central America and the Caribbean, has long been referred to as the United States' "sphere of influence." The Interamerican System has developed from United States interests and policies. This is not to insinuate that other nations have not contributed to the development of the Interamerican System, but the United States as the first independent state in the Americas and the dominant force militarily has played the leading role. This leading role has been demonstrated historically by the announcement of the Monroe Doctrine in 1823, the Roosevelt Corollary to the Monroe Doctrine in 1904, and by the Rio Treaty in 1947. To measure the effectiveness of Interamerican cooperation is to measure the level of U.S. hegemony in the region.

1. The United States' Isolationist Phase, 1823-98

Even before the independence of Panama and the United States' imperialist phase, U.S. interest in Panama was demonstrated by the number of U.S. military

²⁰Ideological unipolarity refers to the victory of democratic and neo-liberal ideals in the world.

interventions on the isthmus.

Incidents of U.S. Intervention in Panama During the U.S. Isolationist Phase			
Year	Motive	Max. No. of Troops	Duration
1856	Watermelon War	160	4 days
1860	Local Disturbance	100	11
1861	Political Disturbance	----	----
1865	Political Disturbance	----	----
1868	Riots	14	1
1873	Civil War	200	15
1873	Civil War	190	13
1885	Local Disturbance	12	1
1885	Preston Aizpuru Revolt	1,200	57
1895	Bocas del Toro	One company	7

Table 4: From Conniff, p. 34.

2. The United States' Protective Imperialism Phase, 1898-33

Panama's 1903 national independence was concurrent with the apex of U.S. imperial expansion. The Spanish-American War, the occupation of the Philippines and Cuba, and the withdrawal of the British West Indian Squadron, all in 1898 were each signs of the new power of the United States. The independence of Panama on 3 November 1903 and the signing of the Isthmian Canal Convention two weeks later on 18 November 1903, were the finishing touches on the geopolitical dreams of Alfred Thayer Mahan, Theodore Roosevelt, and Henry Cabot Lodge--the so-called

"Expansionists of 1898."

While U.S. behavior was never again, after the administration of Theodore Roosevelt, so bold and audacious, the United States did continue its basic policies. It was during these years of protective imperialism (1898-1933) that it was not uncommon for the U.S. military to supervise or conduct national and local elections within Central America and the Caribbean. U.S. forces were also used to solve financial crises, to end disorder, and to protect American property.

Along with interventions in Cuba, the Dominican Republic, Haiti, and Nicaragua, U.S. forces also intervened in Panama on various occasions. The Panamanian Constitution of 1904 granted the United States *carte blanc* to intervene in Panamanian internal affairs, the right to "intervene, in any part of Panama, to reestablish public peace and constitutional order if it has been disturbed." In Panama, this is referred to as the Panamanian Platt Amendment.²¹ The early victories of U.S. diplomacy are in reality the root of U.S.-Panamanian tensions throughout the 20th century and an invitation to the United States to involve itself in Panamanian domestic politics.

²¹Ramón E. Fabrega and Mario Boyd Galindo, Constituciones de La República de Panamá (Panamá: Talleres Gráficos de Impresión Educativa, 1981), p. 288.

Incidents of U.S. Intervention in Panama During the U.S. Protective Imperialism Phase		
Year	Location	Reason
1902	Panama City and Colón	To Protect the Railroad During the Thousand Days War
1903	Panama City and Colón	To Protect Panama's Independence
1916	Panama	Disarmament of National Police
1918	Panama & Colón	Election Supervision
1918	Veraguas	Election Supervision
1918-1920	Chiriquí	Election Supervision and Protection of U.S. Nationals
1921	Coto	Panama-Costa-Rica Border Dispute
1925	Panama & Colón	Renters' Strike

Table 5: From Conniff, p. 34 and Linares, p. 290.

The 1918 election was the last election with U.S. involvement until the 1980's. While the United States occupation of Panama City and Colón lasted a relatively short time, the U.S. intervention to oversee elections in Chiriquí did not end as quickly. The U.S. Army's 5th Infantry Regiment, which was to conduct the election observation operation, became involved in the protection of a U.S. citizen and his property in the province and was not able to extricate itself until 16 August 1920. Subsequently, the United States resisted further invitations to be involved in Panama's election process.²²

3. The Good Neighbor Era, 1933-45

²²Julio E. Linares, Enrique Linares En La Historia Política de Panamá (San José: Litografía e Imprenta LIL, 1989), p. 206.

The Good Neighbor phase of Interamerican relations began with Franklin Delano Roosevelt's First Inaugural Address in 1933 when Roosevelt pledged that the United States would be a "good neighbor." This policy was further developed at the Pan-American Conference at Montevideo in 1933 as the United States and other Western Hemisphere states joined together in numerous resolutions to improve regional cooperation. The most important change in U.S. policy under President Franklin Roosevelt was that the United States abandoned Theodore Roosevelt's corollary to the Monroe Doctrine, thus giving up the U.S. right to intervene in the internal or external affairs of others. This new U.S. policy brought the U.S. into line with the general sentiment of Latin American governments.²³

This change in U.S. policy was demonstrated by meaningful actions within the region. However, the policy had its limitations in Panama. While the U.S. had essentially ended its involvement in the electoral affairs in Panama in 1920 and had last intervened militarily in the rentiers' strike in 1925, the growing war sentiment reinforced the idea that the Canal was a vital and strategic U.S. resource. So as the war approached, the U.S. was involved in Panamanian internal politics, at least covertly.

4. The Cold War Anti-Communist Struggle, 1945-89

The beginning of the Cold War marked a new era in U.S. relations with Latin America. While the U.S. had remained the regional hegemon during the Good

²³Samuel Flagg Bemis, The Latin American Policy of the United States (New York: Harcourt, Brace and Company, 1943), pp. 256-75.

Neighbor years, the United States had tended towards regional cooperation instead of coercion. After World War II with the threat of communist expansion looming, the United States opted to reassert its role as regional hegemon and as a state willing to use military power to protect regional states from communist aggression. In 1947, the Inter-American Treaty of Reciprocal Assistance, or Rio Pact, was signed by regional powers. This document served as the basis of regional defense during the Cold War. The Organization of American States was officially established in 1951 and contained within its charter the non-intervention clauses of the 1933 Montevideo Conference.

The degree of U.S. hegemony in the region during this era is difficult to assess. While there were clear challenges to U.S. power and influence and instances when U.S. policy failed, the region remained primarily within the Western camp during the Cold War. Michael J. Kryzanek discusses the erosion of the U.S. influence in this region during the Cold War. He points to several factors that contributed to the weakening of the United States' position: (1) the 1959 Cuba Revolution provided an alternative to U.S. domination for states in the region; (2) the "rise of competition" on the global scale made U.S. businessmen not the only show in town for Latin American businessmen; (3) the acceptance of the Sandinista victory in 1978; (4) the 1982 Falklands/Malvinas War and the collapse of the Rio Treaty; and (5) the decline of the U.S. ability to provide substantial aid to the region.²⁴

²⁴On the point that the Falklands/Malvinas War represents the failure of the Rio Treaty, this is Kryzanek's view and tends to fall in line with most Argentine thinking on the subject. Michael J. Kryzanek, U.S.-Latin American Relations (New York: Praeger, 1990), pp. 213-231

The Reagan and Bush years are viewed by Kryzanek as an attempt to reassert hegemonic power. Willingness to act in Grenada and Panama seemed to indicate a return to something resembling "Gunboat Diplomacy."²⁵ One popular cartoon that appeared in 1990 just after the U.S. invasion of Panama features a thin and grinning George Bush being approvingly patted on the back by a robust, grinning Teddy Roosevelt.²⁶

Even though Kryzanek and others have pointed to the hegemonic decline of the United States in Latin America, what the failure of hegemonic power would mean is unclear. The failure of the communist system and the 1991 breakup of the Soviet Union ended the super power competition in the Third World and ended the most direct challenge to U.S. hegemony in the Americas.

5. Post-Cold War, 1989-

While the obvious forms of manipulation and control of smaller powers by the United States seem inappropriate in the 1990's, the economic depravity of the Latin American region does make it beholden to outside forces, often bankers. It could be argued that so long as there was an ideological option for regional states they had a greater degree of latitude in possible behavior. Leaders could challenge the U.S. and knew that because of Cold War considerations (i.e. no second Cuba) that the U.S. would probably not censure them. General Omar Torrijos's behavior during an episode described by Robert Pastor illustrates the latitude:

²⁵Kryzanek, pp. 224-30.

²⁶Task Force on Latin America and the Caribbean, Panama: the Price of Sovereignty. (Santa Cruz: TFLAC, 1994), cover.

"General," [U.S. Ambassador Ambler] Moss said in Spanish, "I have a message for you from Secretary of State Haig." He then read the message. Haig let Torrijos know that the flabbiness in U.S. foreign policy had been firmed up; no longer would the United States tolerate Torrijos's adventures with Salvadoran guerrillas or Cubans. Torrijos would have to shape up, or else.

Torrijos listened without displaying any emotion--except that he began pulling more rapidly on his Cohiba [cigar]. When Moss finished, the General...asked if the ambassador would mind writing down his response...`Señor Haig, I cannot acknowledge receipt of this message. It was obviously sent to the wrong address. It should have gone to Puerto Rico. Omar Torrijos."²⁷

Torrijos could be blunt because he had ideological choices and was sure that the Soviets and Cubans would welcome him with open arms if he had chosen to join the other side in the Cold War. The question is, now that the Cold War is over, do leaders have the option of going against the United States?

If the United States does have a sphere of influence in the world, then it is Latin America. The U.S. influence is much more real in Central America and the Caribbean than in South America. It has been said that the United States has never had much influence in the Southern Cone, but these countries have experienced Huntington's "Third Wave" of democratization like the entire region.

If a new regionalism does develop and European Community-like integration is the wave of the future, then it seems clear that the Americas will be forced to band together for mutual economic benefit and defense. Whether there will be one regional alliance for the Western Hemisphere or two (NAFTA in the North and a Brazil-led

²⁷Robert A. Pastor, Whirlpool: U.S. Foreign Policy Toward Latin America and the Caribbean (Princeton: Princeton University Press, 1992), pp. 3-4.

economic alliance in the South) is yet to be seen.

Many theorists argue that the importance of military power is diminishing. If U.S. military intervention in the region is passed, then Good Neighbor-type mutual respect is possible. However, this option based on mutual respect may not be possible so long as regional monetary policy is largely directed from the first world.

Another possibility is that Latin America will be increasingly marginalized, as the region is no longer the scene of superpower ideological confrontation. Robert Ullman suggests that the U.S. policy towards Latin America could become one of "benign neglect."²⁸ This is similar to the argument of the Africanization of Latin America, i.e. marginalization on the world stage. This concept represents a challenge to the governments of Latin America; their failure could mean that the region joins Africa as appearing hopeless and too big of a job for aid, diplomatic effort, or even military intervention.

The end of the Cold War is most important for what Latin Americans have been able to do economically. They have been able to discard leftist economic baggage and to implement neo-liberal policies. This and the unchallenged acceptance of structural democracy are the two most important opportunities that the recent systemic change has allowed. This view makes what Latin Americans do for themselves more important than the U.S.-Latin American relationship. Should Latin Americans have success in this neo-liberal/democratic program then the possibility of

²⁸Richard H. Ullman, "The United States, Latin America, and the World After the Cold War", Lowenthal, Abraham F. and Trevorton, Gregory F. eds, Latin America in a New World (Boulder: Westview, 1994), p. 13.

what Mark Peceny terms a "Liberal 'Pacific Union'" is real.²⁹ If Latin America fails at this new program, then the Inter-American relationship can do little to save them. In summary, the systemic change offers opportunity--not a panacea.

The development of the European Community and the growth of regional trade arrangements such as NAFTA, MERCOSUR, the Andean Pact, and APEC make the idea of a dissected world--at least economically--believable. As such entities develop, there is the chance that trading blocs will increase intra-regional trade to the detriment of external trade. For example, since the creation of MERCOSUR, trade between Brazil, Argentina, Uruguay, and Paraguay has increased to new levels.³⁰ However, since the European agreement on a common agricultural market, opportunities for selling Western Hemisphere agricultural products in Europe have faced new barriers. This was especially hard on some of the single product nations, particularly those who grew Bananas.

While regional trade pacts seem to be a clear trend, it is unclear if security pacts along similar lines will follow. If this does become the case, then the Western Hemisphere may be in the future united as trading partners. How this develops is yet to be seen. But this trend to regionalism appears to be the dominant trend in the Interamerican system and one of which Panama and its leadership is well aware.

²⁹Mark Peceny, "The Inter-American System as a Liberal 'Pacific Union'?", Latin American Research Review, Vol. 29, No. 3 (1994), pp. 188-201.

³⁰Vera Thorstensen, "Mercosul: The Road to NAFTA and the European Union," Development Policy: Newsletter of Policy Research, Inter-American Development Bank, December 1994, p. 1 and Sergio Abreu Bonilla, "El Mercosur: una realidad en marcha," ADEBIM, Carta do Mercosul, February 1994, p. 3.

D. CHAPTER CONCLUSIONS

1. Linkages

a. The World System and Panamanian Foreign Policy Behavior

A comparison between the systemic polarity of the world and Panamanian foreign policies is interesting, but does not implicitly demonstrate any causal relationship (see table below). There are two observations that may be made:

(1) International system change--such as that at the beginning of World War II and that at the end of the Cold War--has occurred concurrently with violent government change within Panama, specifically the 1941 Panamanian military overthrow of President Arnulfo Arias Madrid and the 1989 U.S. invasion to oust strongman Manuel Antonio Noriega.

(2) Loose bipolarity seemed to have provided more opportunity for Panama to solve the issue of sovereignty over the Canal Zone on favorable terms than did the era of multipolarity that had existed prior to World War II. Similar efforts in the 1920's and 1930's met with no great support from the international community comparable with the international support enjoyed by the Torrijos regime in the 1970's. The sense of Third World and Latin American unity on this issue, along with the support from the Soviet Union and other socialist states, was a phenomenon only possible in an era of loose bipolarity. Rothstein theorized that neutrality or non-alignment, often couched in very idealistic terms, ultimately allow small states to take advantage of great power rivalries. As great power rivalry decreases, non-alignment is

Systemic Polarity and Panamanian Foreign Policy Behavior		
1903-1941	Multipolarity	Highly Cooperative Policies (1903-1920), Rising Anti-U.S. Sentiment (1920-1941), Refusal to Arm Merchant Vessels (1941)
1941-1945	World War II: System Transition	Highly Cooperative Policies (1941-45), Merchant Vessels Armed As Per U.S. Request (1941), New Basing Agreement for War Effort
1945-1989	Loose Bipolarity	Refusal to Renew Basing Agreement (1946-47), Lease on Rio Hato Air Base Renewed (1955), Relations Severed (1964), Renewed Treaty Negotiations (1964-67), Renewed Call for Treaty Negotiations (1971), Attempt to Embarrass U.S. at U.N. (1973), Acceptance of Carter-Torrijos Treaties (1977-79), Worsening Relations Under Noriega (1987-89)
1989-	Post-Cold War/System Transition	Initially Cooperative Policies Under Endara (1989-90), Mixed Cooperation on Drug Issue (1990-94), Highly Cooperative Policies Under Pérez Balladares (1994-), Acceptance of Exiled Haitian Leadership (1994), Acceptance of Cuban Refugees (1994), Attempted Accession to GATT (1994-), Demonstrated Desire for NAFTA Accession

Table 6: Author

less of a challenge to great powers.³¹ This proposition seems to have been supported by Panama's behavior in the 1970's.

b. U.S. Hegemonic Influence and Panamanian Foreign Policy

While the categories of U.S. hegemony and behavior towards the region are generally divided into the same periods as corresponding periods of systemic polarity considered above, there are some important observations that can be made from considering U.S. hegemonic policy's effect on the formation of Panamanian foreign policy (see table below).

(1) One important factor in independence of Panama is the role that the United States played in guaranteeing the success of the rebellion. This was only possible in the Protective Imperialist phase of U.S. expansion (1898-1933) and under President Theodore Roosevelt. In geopolitical terms, the United States, by allying with the Panamanians, balanced the Colombian threat. This seems to agreed with what Rothstein proposed in his theoretical discussion of small states: while great powers ally to balance the global system, small powers often ally "in terms of local balance."³²

(2) Panama's change in policy towards the United States in 1941 resulting from the overthrow of Arnulfo Arias Madrid was separated from the beginning of the Good Neighbor era by eight years but more concurrent with the total

³¹Ibid., pp. 28 and 254.

³²Ibid., p. 62.

breakdown of the old international order. This seems to indicate that Panama acted in the interest of self-preservation and not as quid pro quo following the more amicable U.S. policy towards the region and the 1936 Hull-Alfaro Treaty.

(3) Panama has tended to seek very close and cordial relations with the United States in time of World War. During both World War I and World War II, the level of cooperation between the two nations was unprecedented and Panama was treated in many ways as part of the United States.³³

(4) Anti-U.S. foreign policy stands have developed during periods when the United States could not or would not intervene militarily in Panama, i.e. between 1920 and 1941 and in the 1970's. The periods of the most pro-U.S. foreign policies were those with the highest degree of U.S. presence in Panama and willingness to use military power, i.e. 1903-1920 and 1941-45.

³³The best discussion of wartime cooperation is provided by Lawrence O. Ealy, The Republic of Panama in World Affairs, 1903-1950 (Westport, Conn.: Greenwood Press, 1951).

U.S. Hegemony Within the Interamerican System and Panamanian Foreign Policy		
1903-1933	Protective Imperialism	Highly Cooperative Policies (1903-1920), Rising Anti-U.S. Sentiment (1920-1941),
1933-1945	Good Neighbor Era	Refusal to Arm Merchant Vessels (1941), Highly Cooperative Policies (1941-45), Merchant Vessels Armed As Per U.S. Request (1941), New Basing Agreement for War Effort
1945-1989	Cold War Anti-Communism	Refusal to Renew Basing Agreement (1946-47), Lease on Rio Hato Air Base Renewed (1955), Relations Severed (1964), Renewed Treaty Negotiations (1964-67), Renewed Call for Treaty Negotiations (1971), Attempt to Embarrass U.S. at U.N. (1973), Acceptance of Carter-Torrijos Treaties (1977-79), Worsening Relations Under Noriega (1987-89)
1989-	Towards Regional Free Trade	Initially Cooperative Policies Under Endara (1989-90), Mixed Cooperation on Drug Issue (1990-94), Highly Cooperative Policies Under Pérez Balladares (1994-), Acceptance of Exiled Haitian Leadership (1994), Acceptance of Cuban Refugees (1994), Attempted Accession to GATT (1994-), Demonstrated Desire for NAFTA Accession

Table 7: Author

2. Towards 2005: Panama's Behavior in the New World Order

The year 1989 marked a watershed as changes in systemic polarity occurred on the world scale and the transition from the Anti-Communist struggle to the Fight for Free Trade occurred within the Interamerican region. While it is still hard to determine the new status of the world system and the theme of post-Cold War regional cooperation, it is interesting to consider the behavior of Panama during this new era.

The current main goals of Panamanian foreign policy, (1) to prepare to assume control of the Panama Canal and (2) to join into NAFTA after Chile and significantly earlier than neighboring states, seem to indicate that the Panamanian leadership believes that the New World Order is essentially an economic order. Domestically, the privatization program and neo-liberal reforms being attempted are demonstrating a seriousness to make Panama economically attractive to international investment.

Panama's close cooperation with the United States, under the leadership of President Ernesto Pérez Balladares, seems to indicate a willingness to restore the traditional partnership between Panama and the United States. Panama's clear efforts to gain the favor of the United States through good will indicates that the Panamanian leadership implicitly recognizes the regional leadership role of the United States and that good relations with the United States could result in a favorable position for Panama in the emerging regional order. If the world is dividing into blocks, Panama wants to be in on the ground floor and close to the United States.

IV. DANCING THE STICK: THE SIGNIFICANCE OF DOMESTIC POLITICS IN FOREIGN POLICY DEVELOPMENT

A. CHAPTER OVERVIEW

This chapter views Panama as a case of *Primat de Innerpolitik*, where domestic political considerations are overwhelming for leaders and dominate all policy-making processes, to include the development of foreign policy. This study attempts to understand Panama's domestic political landscape through dissection. The president, as the rational actor, is influenced by a variety of domestic political forces: the elites, commercial interests, the military, political parties, U.S./Canal Zone leadership, and the masses. His political survival is decided by how well he responds to the various sectors, especially the sector with the most domestic political power. Over time, the power of various domestic interests varies. This means that leaders have to recognize the reality of the domestic political economy and act rationally within it. For U.S. analysts interested in the formation of foreign policy in Panama, understanding the domestic political situation allows for estimation of what choices are possible for the Panamanian leader.

A major challenge of this study was to control the argument and not allow domestic interests to be generalized into Marxist class categories. Some have tried to interpret Panamanian politics in this manner, but a Marxist interpretation misses much of the nuance of Panamanian politics. Graham Green views Panama in these terms. His hero, Brigadier General Omar Torrijos is the leader of the masses and the arch-

enemy is the oligarchical Arnulfo Arias Madrid whose family--according to Greene's account--ruled Panama for "over a half century."¹ This simplistic approach distorts reality. The fact that populism in Panama has been a tool of the left and the right and that no regime, not even that of Torrijos, has represented exclusively one sector seems lost if Panamanian politics is viewed as a case of class struggle. While some of the terms in this paper overlap with Marxist concepts, the story is one of competing interests within a quasi-democratic framework. If one begins with Justice Oliver Wendall Holmes's concept of a "marketplace of free ideas" and adds violence, one has the domestic political system that will be described here.² Panamanian domestic politics is a Hobbesian-Malthusian construct in which the strong have a fighting chance at survival.

1. Theoretical Approach of This Chapter

a. Domestic Sources of Foreign Policy

In The Domestic Bases of Grand Strategy by Richard Rosecrance and Arthur

A. Stein, the authors assert that the natures of domestic political systems have "determined key decisions and national policies toward the outside world."³

¹Graham Greene, Getting to Know the General (New York: Simon and Schuster, 1984), p. 30.

²Justice Holmes used this concept to address the topic of free speech in the United States. In his famous dissent in the case of the Jacob Abrams et al vs. the United States he stated "the best test of truth is the power of the thought to get itself accepted in the competition of the market..." See Richard Polenberg, Fighting Faiths: The Abrams Case, the Supreme Court, and Free Speech (New York: Penguin Books, 1987), p. 240.

³Richard Rosecrance and Arthur A. Stein, The Domestic Bases of Grand Strategy (Ithaca: Cornell University Press, 1993), p. 6.

Symmetrical and Asymmetrical Domestic Conditions			
Domestic Condition of Status Quo State	Domestic Condition of Revisionist Power		
		Constrained	Permissive or Stimulative
	Constrained	Peace from Mutual Restraint	War/Deterrence Failure
	Permissive or Stimulative	Peace from Self-Deterrence/Unnecessary Deterrence	Realist World Balance of Power

Table 8: From Rosecrance and Stein, 1993, p. 19.

Application of table 1 to the Panamanian-U.S. relationship would begin with inserting the United States as the "Status Quo State" and Panama as the "Revisionist Power." These positions were constant from 1903 when the Hay-Bunau-Varilla Treaty was signed (giving the U.S. rights to the Canal Zone) until 1979 when the instruments of ratification of the Carter-Torrijos treaties were exchanged. Now, Panama and the United States are entering a new period and the positions of each in the table will have to be reversed. While Panama is generally content with planned final implementation of the Carter-Torrijos Treaties on 31 December 1999, the United States could decide to reconsider total withdrawal and attempt to renegotiate. If this occurred, then the United States would be in the position of revisionist power. After considering past constraints on leaders, Pérez Balladares' position will be considered using table 1.

b. Dancing the Stick

The principal actor in this drama is the policy-maker. In Panama this

has usually been the president, but on three occasions a military leader: Colonel José Antonio Remón Cantera (1947-55), BG Omar Torrijos Herrera (1968-81), and General Manuel Antonio Noriega (1983-89). To look to the president as "the only policy-maker" would not be possible in most cases, however this can be safely done in the case of Panama. The traditional weakness of the legislative branch in Panama and the virtual absence of a professional bureaucracy permits looking at the executive alone as the policy-maker. These leaders--past presidents and military leaders-- while operating within the limits of the international system, have also had to navigate the sometimes treacherous waters of domestic politics. Their actions can be best described with the Panamanian term "*bailar la vara*", literally "to dance the stick." The term is used to describe politicians doing what they have to do to survive without getting the "stick".⁴ More than one leader has gotten the "stick," which can be equated with losing power and many more have been bloodied to the point of ineffectiveness. This harsh reality makes an understanding of domestic political environment necessary to understand the leader and his behavior.

In 1931, in Panama's first coup, a group of civilians led by Arnulfo Arias Madrid, ousted the elected president, Florencio Arosemena. Dr. Arias, a Harvard-trained physician was repaid many times for his role in the coup. He was elected in 1940, ousted in 1941, elected in 1948 and not allowed to take power, placed in power

⁴The closest U.S. expression is "to go with the flow," but even this does not capture the essence of the Spanish term. "To go with the flow" implies passivity, however "to dance the stick" implies an actor struggling through to survive and prosper. Ideas, ideologies, parties, and people are used and discarded as necessary.

in 1949 only to be removed 18 months later, elected in 1968 only to be removed 11 days later, and denied victory by fraud in 1984. Colonel Remón was another leader who received the "stick." President Remón was assassinated at the National Racetrack in 1955. While the whole truth has not been uncovered, it seems clear that his assassination was paid for by a domestic political rival. It has also been asserted, but not proven, that the death of Torrijos was an assassination.⁵

"Dancing the stick" during the Noriega era took on new meaning as the civilian presidents were shown who the real power was. Aristides Royo, Torrijos's hand-picked president was removed in 1982 by the National Guard. After 42-year old Royo came on national television and announced his stepping down due to a sore throat, Panamanians labeled the affair "*El Gargantazo*," the blow to the throat.⁶ Ardito Barletta, who was elected President in 1984, was removed in 1986 by Noriega.⁷ The vice president was Eric Arturo Delvalle, nicknamed "*Tuturo*." Panamanians quickly changed this to "*Tuturno*," meaning "it's your turn."⁸

"Dancing the Stick" or staying alive and in power is the goal of all Panamanian leaders. This goal is more important than any other, to include the nature of the international system. For Panama, which has been described as an emporium-state

⁵This conspiracy theory of Torrijos's death pins the responsibility on the CIA, Noriega, or both. While no well documented sources of this information exists it has been put forward in Graham Greene, Getting to Know the General.

⁶John Dinges, Our Man in Panama (New York: Random House, 1990), p. 144.

⁷Ibid.

⁸Ibid., p. 229.

where commerce with the world is the most important aspect of national life, foreign policy is important.⁹ The number of embassies and consulates around the world may be some indication of the degree of importance that Panama places on external relations. Foreign policy is important for elite businessmen and bankers who are interested in trade, for the middle-class professional who hopes to work for the Panama Canal Commission or a U.S. military base, and for the street vendor who sells fruit to Gringos. Foreign policy is important to nationalistic students, to the large community with family ties to the United States, and to those who violently opposed the U.S. invasion in 1989. As President Ernesto Pérez Balladares "dances the stick" during his term, he will be challenged and threatened by all of those interested in foreign policy. Mere survival will be a challenge, actually achieving success will prove Pérez Balladares a true operator who can manage domestic politics.

2. Significance of Domestic Politics: Is Panama Worthy of Micro-Analysis?

Of all of the bilateral relationships in the Inter-American System, that between the Republic of Panama and the United States has been one of the most important since the Panamanian Revolution in 1903. The Panama Canal is a great source of pride for the United States as a symbol of U.S. ingenuity; the Canal holds a special place in the U.S. national psyche. For Panama, the Canal is viewed as a natural

⁹The best available work on the nature of Panama and the national metaphysic is Ricaurte Soler, Formas Ideológicas de la Nación Panameña: Panamá y el Problema Nacional Hispanoamericano (Costa Rica: Editorial Universitaria Centroamericana, 1977).

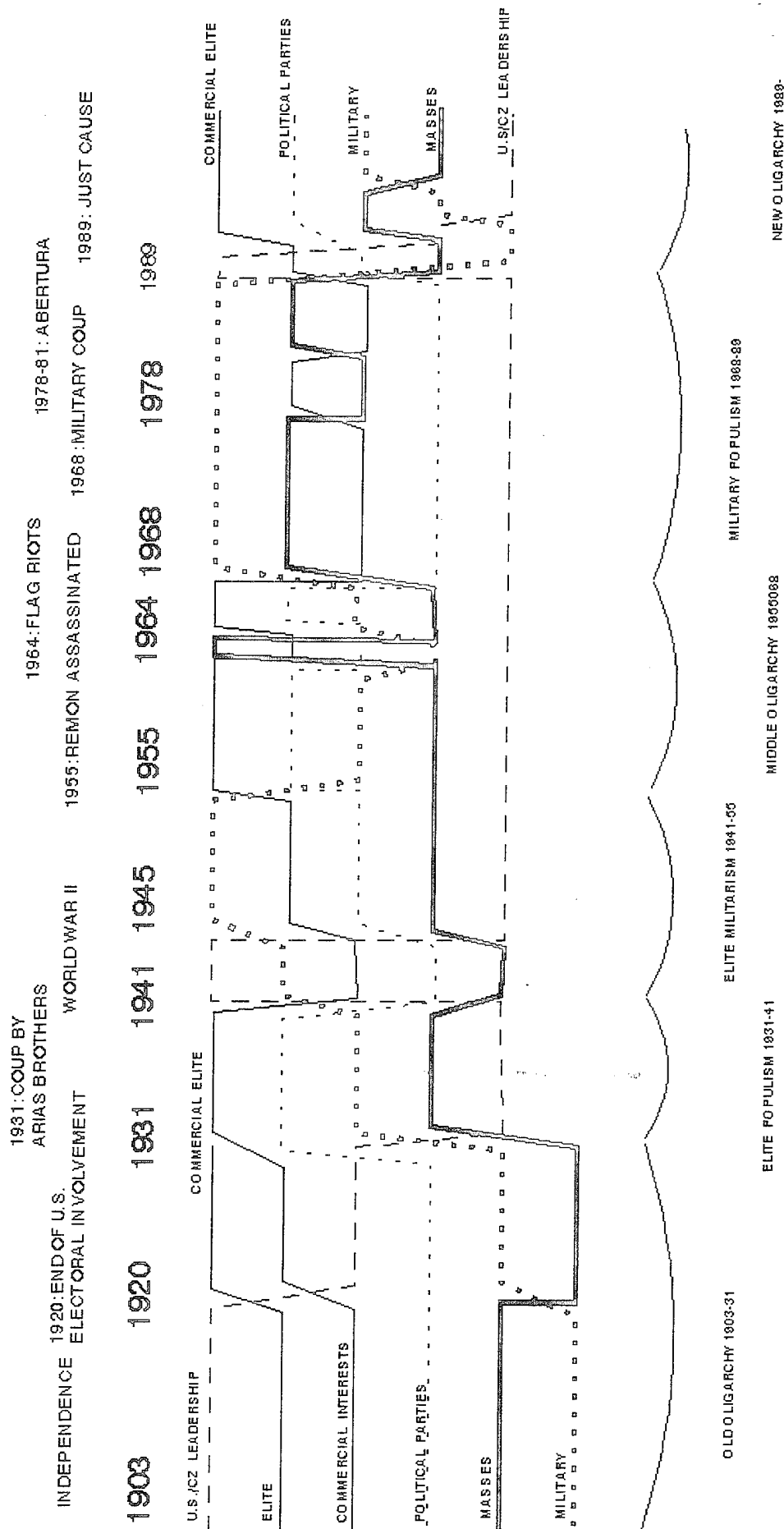
resource, the national patrimony.¹⁰

Any cursory review of the literature demonstrates that the United States and Panama have had a wide variety of relationships since 1903, from close friendship during the building of the Canal (1904-1914), to direct confrontation in the 1960's, to cooperation in the late 1970's, to violent hostility in the late 1980's, to limited cooperation in the 1990's. Systemic factors do not explain this often-changing relationship. This chapter will address domestic political determinants of Panamanian foreign policy and hypothesize that domestic politics in Panama places constraints on decision makers and are sometimes the main causal factor in foreign policy development. If domestic politics in Panama does significantly constrain leaders, then an understanding of what leaders can do is a necessary prerequisite for planning foreign policy approaches to Panama. For the United States, the presence of the Canal and U.S. military bases make a micro-analysis of Panama's domestic politics worth the effort and potentially valuable.

B. PANAMANIAN DOMESTIC POLITICS

In order to analyze Panama's domestic political economy since 1903, various time periods have been devised. These are based on the relationships of the various domestic political players. For this study, Panamanian domestic politics have been divided into six historical periods.

¹⁰The references to the Canal as Panama's natural resource and patrimony were numerous during the presidential campaign in 1994. One example is an interview with President Pérez Balladares's wife that appeared in Vistazo, 17 April 1994, p. 6.



Y AXIS IS YEAR.

X AXIS IS RELATIVE STRENGTH OF SECTOR AS COMPARED TO OTHER SECTORS WITHIN THE POLITICAL STRUCTURE.

Table 9: Panamanian Domestic Political Regimes, 1903-95; By Author.

1. Old Oligarchy, 1903-31

The period from 1903 to 1931 in domestic politics is characterized by (1) structural democracy with minimal citizen participation, constitutional continuity, and occasional U.S.-intervention to restore order or to supervise the electoral process. The principal actors were the presidents, which by and large came from the upper class of Panama City, what is referred to in this chapter as the elite. The primary pressures on these actors were, in order of importance: (1) the U.S./Canal Zone (CZ) leadership, (2) the elite, (3) commercial interests, (4) political parties, (5) the masses, and (6) the military.

a. U.S./CZ Leadership

With the signing of the Hay-Bunau-Varilla Treaty in Washington, D.C. on 18 November 1903, the newly independent Republic of Panama became a U.S. protectorate--what Philander C. Knox referred to as a "vest pocket republic."¹¹ United States intervention during this period was due to Panamanian domestic politics and not U.S.-Panama relations.¹² After 1920, the United States did not become involved in Panamanian electoral politics again until the late 1980's. This change in U.S. policy in 1920 allowed for new forces to become predominant on the domestic political scene.

b. Elites

¹¹Lawrence O. Ealy, The Republic of Panama in World Affairs, 1903-1950 (Westport, Conn.: Greenwood Press, 1951), p. 20.

¹²The best work on the U.S. interventions in Panama between 1903 and 1920 is G.A. Mellander, The United States in Panamanian Politics: The Intriguing Formative Years (Danville, Illinois: The Interstate Printers and Publishers, Inc., 1971).

For the upper-class of Panama City, the Panamanian Revolution and the building of the Canal was a boon. Having long been big fish in a little pond, the Panamanian elite was poised to take advantage of the growth in Panamanian prestige on the world stage, the population growth, and the arrival of partners in the form of high-ranking employees of the Canal Zone. It was the relationship of the Panamanian elite and high-ranking Americans like Dr. William Gorgas, Col. John Stevens, and Governor Charles Edward Magoon that dominated Panama's relations with the United States and closely tied the top echelons of the population to U.S. success in the Canal Zone.¹³

c. Commercial Interests

During this period, the commercial and elite sectors were increasingly synonymous. The old elite, which had consisted of Conservative Party leaders like President Manuel Amador and landed sons of colonial families, while clearly a power in 1903 at the time of Revolution, were not able to regain the presidency after 1908.¹⁴ Panama's true nature as a commercial nation brought the bourgeois commercial class quickly to the helm of national power. Trade thus became the most respectable

¹³The ties between Panama's upper class and the U.S. during this period cannot be overstated. President Amador's daughter was married to the American Vice-Consul Felix Ehrman. One popular national politician was married to U.S. President Woodrow Wilson's niece. Several prominent families were of American descent, their forefathers all having settled in Panama at the time of the Gold Rush.

¹⁴Historian Marco Gandásequi calls these Conservatives "enemies of capitalist development." Marco A. Gandásequi, h., La Democracia en Panamá (Mexico: Universidad Autónoma Metropolitana, 1989), p. 17.

occupation in Panama and the old elite soon accepted this reality.

d. The Masses

The role of the general population in domestic politics was minimal. Suffrage was universal for citizens, but women were not citizens.¹⁵ Despite the right to vote, few exercised the right. For example, in 1924 only 7.8% of the population voted--33,080 votes out of a population of 422,522.¹⁶ Election campaigning was not based on mass appeals but rather on organized parties of voters and private armies who fought out electoral conflict in the streets. These partisan armies, referred to as "*pie de guerra*" (war footing), were a means of demonstrating the seriousness of a candidate's supporters. The battles which often occurred around Santa Ana Plaza in Panama City should not be misinterpreted as an indication of mass sentiment, but rather as an indication how well the elite organizers were at mobilizing their supporters and how much a candidate was willing to pay for supporters, votes, and *pie de guerra*.

e. Political Party Interests

The two party system inherited from Colombia soon fragmented as the Conservatives faded and the Liberals split into numerous parties. The changes occurred so fast that no party was able to develop a following that could be maintained beyond a single candidate. The possible party coalitions were only limited

¹⁵Ramón E. Fábrega and Mario Boyd Galindo, Constituciones de La República de Panamá (Panamá: Talleres Gráficos de Impresión Educativa, 1981), p. 268, Article 49.

¹⁶Julio E. Linares, Enrique Linares En La Historia Política de Panamá (San José: Litografía e Imprenta LIL, 1989), p. 232.

by a candidate's savvy, family ties, and financial resources. According to historian Marcos Gandásequi, a major change that occurred in the 1920's was the transformation of the caudillo system from one of local caudillos to a single national caudillo. This occurred with the elimination of the Electoral College and the rise of nationally known politicians like Belisario Porras.¹⁷

f. Military

Panama's military tradition was inherited from Colombia and centered around a living symbol in the form of General Esteban Huertas. Huertas, the Commander of the Garrison in Panama at the time of Panamanian Revolution, sided with the rebels and became a national hero. The payment from the Revolutionary Junta to Huertas was \$80,000--a fortune in 1903 Panama.¹⁸ A year after the revolution, William Howard Taft commented that the Panamanian Army was "not much larger than the army on an opera stage."¹⁹ General Huertas attempted only once in 1904 to become a political power but was rebuked by the political leadership. His insinuation that the Panamanian Army might play a larger role in politics led to U.S. interest and disestablishment of the army.²⁰ From that time until his death, the General was only seen annually at the 3 November celebration of Independence from Colombia.

¹⁷Gandásequi, p. 18.

¹⁸David McCullough, The Path Between the Seas (New York: Simon and Schuster, 1977), p. 376.

¹⁹Ibid., p. 379.

²⁰Linares, p. 161-2.

Panama's ability to develop a military or significant police force was limited by the U.S. military presence and the U.S. right under Article 136 to intervene in domestic matters. The limitations on developing any real force was emphasized in 1916 when the U.S. intervened and disarmed the National Police.²¹ It was this enforced insignificance of military and police forces that allowed for a civilian coup in 1931.

2. Elite Populism, 1931-41

The civilian coup on 1 January 1931 was a turning point for domestic politics. The coup leader, Arnulfo Arias Madrid and his brother Harmodio Arias Madrid brought to the forefront of domestic politics new interests and a new group of elites that remain very much engaged currently. The coup allowed for the partial displacement of the old elite, encouraged mass participation in politics, and called for essential changes in the Panama-U.S. relationship. Sectors of influence between 1931 and 1940 were respectively: (1) commercial elite interests, (2) party interests, (3) the mass, (4) the military, and (5) the U.S./CZ leadership. It should be noted that during this period elite and commercial interests faded together, the significance of political parties grew, and the military (national police) was strengthened.

a. Commercial/Elite Interests

The Arias brothers were not born into Panama's elite, but they were part of the elite by the time of the coup in 1931. The brothers were from Chiriquí province where their family farmed. While not wealthy, they were ambitious.

²¹Ibid., p. 290.

Arnulfo managed to graduate from Harvard Medical School. This academic success placed Arnulfo among the best educated people in Panama and provided the brothers with access to elite circles.

It was this access that made the coup possible. According to Julio Linares, author and brother-in-law of Arnulfo Arias, Arnulfo was always welcomed at the Palacio de las Garzas during the presidency of Harmodio Arias. During a party the night before the coup, Arias used his unimpeded access to the various parts of the palace to unlock a window in the executive office. This window was used by Arias and other members of Acción Comunal in conducting the coup.²²

In the end, Arnulfo Arias and other members of Acción Comunal produced a change in domestic politics, what Gandásequi calls a "a new bourgeois democratic formation." The new leadership sought to insert the service economy of Panama into the international system.²³ This movement brought the new commercial elite interests to dominate domestic politics. This remained the case until 1941.

b. Political Party Interests

The Communal Action organization that conducted the 1931 coup did not become a party in its own right. Harmodio Arias ran and won on the ticket of the Liberal Doctrinaire Party (*PLD-Partido Liberal Doctrinario*) in 1932. However, in 1936 the Arias brothers supported the candidacy of Juan D. Arosemena of the National Revolutionary Party (*PNR-Partido Nacional Revolucionario*) against

²²Ibid., pp. 287-8.

²³Gandásequi, p. 18.

Domingo Díaz of the PLD. Thus political parties continued to be weaker than the caudillos and kingmakers behind the scenes, but were larger and stronger than before.²⁴

c. The Mass

The elite populism of the Arias brothers and Arnulfo's *Doctrina Panameñista* was met with wide popular approval. Arnulfo identified closely with the Mestizo part of the population. The mass approved of Arnulfo's racist and anti-U.S. rhetoric, as all of Panama's problems were blamed on English-speaking West Indians, Chinese merchants, and other "foreign" elements. A good example of how widespread support for Arias's program was is the 1940 referendum on a new constitution. The 1941 Constitution stripped many minorities of their citizenship and was supported almost unanimously by Panamanians.

In Favor of Reform	144,312
Opposed to Reform	1,865
Blank Votes	513

Table 10: Results of the 1940 Constitutional Reform Plebiscite²⁵

d. Military

The National Police began to gain prominence when the United States stopped interfering in electoral matters in 1920. The period 1931-41 was a period of

²⁴Linares, pp. 354-64.

²⁵Ibid., p. 370; It must be added that the system of pre-printed ballots, that was used, was not fair and did distort the vote to favor Arias's "reforms."

steady growth of the National Police and by 1940 the institution was powerful enough to serve as arbiter in national elections. Arnulfo Arias had supported the strengthening of the police and so maintained their support during the 1940 presidential elections. Steve Ropp sees the police's part in the election clearly: "In support of the candidacy of Arnulfo Arias, the National Police shot it out and won against the civilian 'army' backing the opposition candidate."²⁶ It was Arias' overestimation of his ability to maintain the support of the police that led to his overthrow in 1941.

e. U.S./CZ Leadership

The 1931 coup marked a further reduction of U.S. influence on domestic politics. This was the first major political event on the isthmus without approval of the Canal Zone leadership. While *Acción Comunal* was worried that the U.S. might exercise its rights under the Hay-Bunau-Varilla Treaty to intervene in domestic disturbances, the U.S. opted to only observe. The lack of U.S. action indicated that domestic political actors could act decisively without U.S. approval and placed the U.S./CZ leadership's influence in domestic politics at a low point--where it would remain until the dawn of World War II.

3. Elite Militarism, 1941-55

The 1940 election of Arnulfo Arias Madrid as President of Panama was problematic for the United States, the Panamanian police, and for many of the traditional elite. Arias' harsh *Panameñista* doctrine and stated pro-Axis leanings

²⁶Steve C. Ropp, Panamanian Politics: From Guarded Nation to National Guard (Stanford: Hoover Institution Press, 1982), pp. 26-7.

represented a problem for the United States. Arias denied Asians, West Indian Blacks, and other foreigners their citizenship and property rights, but these restrictions were not applied to the Japanese or Germans. Japanese-owned businesses were allowed to operate freely during Arias' term, although Chinese merchants were forced to sell their property at a moments notice and for a pittance.

While the United States did not take an active role in the overthrow of Arias, the move was definitely not frowned upon by the Canal Zone leadership. The period of Elite Militarism (1941-55), which began with the coup against Arias and ended with the assassination of military president José Antonio Remón in 1955, was marked with a high degree of cooperation between the United States and Panama in insuring Canal security.

a. Military

The National Police, which was the nation's only significant force, was strengthened under Arias. However, he was unable to control the institution. The 1941 coup began Arias's turbulent relationship with the military.

During this period, the military grew and its name was change from the National Police to the National Guard. The National Guard dominated domestic politics behind the scenes from 1941 until 1947, but became more openly in control in 1947 when Comandante Rémon was made president.

b. U.S./CZ Leadership

Arias's successor, Adolfo de la Guardia was able to have good relations with the United States by participating in the war effort and granting the U.S. access

to 130 additional sights outside of the Canal Zone. The United States enjoyed access to Panama and worked together with the National Police to round up possible subversives. As had occurred during World War I, Germans were transported to the United States and only returned to Panama for release after the war. Although the United States maintained good relations with Panama throughout this period, the U.S. power as a domestic political actor in Panama diminished with the end of hostilities.

c. Commercial Elite

Panama's oligarchy was divided by the 1931 coup and jolted again by Arnulfo Arias' election in 1940. It was the divided state of the oligarchy that allowed the overthrow of Arias. The military's power increased with Remón's consolidation of power as head of the National Guard and election to the presidency. Simultaneously, the oligarchy lost influence. Increasingly squeezed out by the military and the masses, the elite could do little more than provide figurehead presidents and enjoy tenuous relations with the National Guard.

d. The Mass

The mass was not the military's base of power during this period, rather the military depended upon the commercial elite and vice-versa. Nevertheless, the popular classes were able to influence the government increasingly during this period. Various popular groups, such as the Federation of Students (FEP), the United Panamanian Teachers, and the Front for Patriotic Youth, were able to bring popular pressure to bear on some issues, such as (1) for new constitution in 1945 and (2)

against renewing the World War II bases agreement in 1947.²⁷

e. Political Parties

Before Remón's electoral reforms in 1952, creating political parties in Panama was easy and done often. Remón wanted to make the party structure mean more and thus sought to greatly limit the number of parties. He made 45,000 supporters a prerequisite for parties being legally recognized. This eliminated all parties, except for his own National Revolutionary Party and one opposition party. Political parties meant very little during this period and were nothing without their leaders. After Remón's death, the minimal number of supporters was lowered and the number of parties grew rapidly.²⁸

4. Middle Oligarchy, 1955-68

Remón's death in 1955 ended the possibility of an alliance between the military and the oligarchy. Who was responsible for the death of Remón is subject to debate, but it seems clear that there was a conspiracy and that prominent members of the oligarchy were involved. While the military faded and the commercial elite became dominant, social pressures continued to increase. This climaxed with the Flag Riots in 1964, which forced the Middle Oligarchy to reconsider its relationship with the Canal Zone and the United States. This period ended with Arnulfo Arias coming to power for a third time and a National Guard coup against him eleven days later, on 11

²⁷George Priestly, Military Government and Popular Participation in Panama (Boulder: Westview Press, 1986), p. 15.

²⁸Brian Hunter et al, eds., The Stateman's Yearbook 1958 (New York: St. Martin's Press, 1958, p. 150.

October 1968.

a. Commercial Elite

During this period the oligarchy was deeply split over economic policy. The National Confederation of Private Enterprise (CONEP) was split into two groups. The Chamber of Commerce was opposed to joining the Central American Common Market and wanted to make the whole nation a free-trade zone. The Industrial Syndicate wanted protective tariffs to continue and favored a very gradual approach to regional integration.²⁹

b. Political Parties

Many of the parties from this period formed the basis for the modern party structure. The Christian Democratic Party was founded in 1960. The Panameñistas were organized again under the leadership of Arnulfo Arias. By 1968, Arnulfo Arias was viewed as less of a *bête-noire* by the oligarchy. Many non-Arnulfistas, including Liberals, joined in support of Arias in 1968. This pro-Arias grouping could be viewed as the predecessor of the ADO coalition of the 1980's. The National Patriotic Coalition, which had been led by National Guard Commandant Remón, survived into this period and ran second to Arias in 1968. It could be argued that this grouping was the predecessor of the PRD-led Torrijistas of post-1968 Panama. The coalition was pro-National Guard and Anti-Arias. However, it lacked the social justice emphasis that Torrijos was able to place at the center of his populist militarism.

²⁹Priestly, p. 25.

Arnulfo Arias	Panameñistas	175,432
David Samudio	National Patriotic Coalition	133,887
Antonio González Revilla	Christian Democrats	11,371

Table 11: Results of the 1968 Presidential Election³⁰

c. Military

While this was clearly a civilian-dominated period of domestic politics, the military was strong enough to guarantee security. Very late in the period, when pro-Arias representatives in the National Assembly impeached President Marco A. Robles, the National Guard supported Robles and allowed him to remain in power. During this episode, Arias's offices were attacked by the Guard and some Arias supporters jailed.³¹

d. The Mass

It was the popular class that changed most between 1954 and 1968. By 1964, popular opinion was a real worry for the oligarchy and for the military. The Flag Riots in 1958 and especially in 1964 were led by student groups and many point out the presence of communist instigators.³² What ultimately matters is that the actions of the students who challenged U.S. authority in the Canal Zone were widely supported by the Panamanian people. In fact, the 1964 Flag Riots were a critical

³⁰Hunter, Brain et al, eds., The Statesman's Yearbook 1968 (New York: St. Martin's Press, 1968), p. 264.

³¹Priestly, pp. 25-6.

³²The most extensive discussion of this can be found in Jules Dubois, Danger Over Panama (Indianapolis: Dobbs-Merrill, 1964).

event in shaping the psyche of the Panamanian nation. Those who died were considered national martyrs and as one Panamanian writer says it was the "Calvario de un Pueblo" (Calvary of a People).³³

The actions of President Rodolfo Chiari (1964-68) demonstrated the new strength of the popular classes in 1964. When faced with a situation growing out of control in the Fourth of July Avenue area, the President opted to withdraw the National Guard forces from the area. This left no one between the growing crowds and the American forces inside the Canal Zone. The result was disaster as 21 Panamanians and 5 Americans were killed.³⁴ President Chiari, as a representative of the oligarchy, had decided to join the popular forces in opposition to the U.S. Canal Zone instead of being trampled by the masses.³⁵

e. U.S./CZ Leadership

The United States was very weak as a force in domestic politics during this period. In 1964 when President Chiari broke relations with the United States, President Johnson realized that a new arrangement would have to be reached with Panama and he understood from the start that the end of the U.S. Canal Zone was

³³For a nationalistic view of the crisis see Julio Yau, El Canal de Panamá: Calvario de un Pueblo (Madrid: Editorial Mediterráneo, 1974).

³⁴Aristides Martínez Ortega, "Panama Explodes: The 1964 Flag Riots," Philip E. Wheaton, Panama Invaded (New York: Red Sea Press, 1992), pp. 68-71 and Denison Kitchel, The Truth About the Panama Canal (New Rochelle, N.Y.: Arlington House, 1978), p. 87.

³⁵Arnulfo Arias was in Panama at this time and once again stirring up popular sentiment against the U.S. presence. With Arias on the right and the Marxists on the left, President Chiari was being squeezed out of the political spectrum.

Panama and he understood from the start that the end of the U.S. Canal Zone was only a matter of time.

5. Military Populism, 1968-89

The military coup against Arnulfo Arias on 11 October 1968 was led by Colonel Boris Martínez, Omar Torrijos Herrera, and others. These men, like American diplomats who were assigned to Panama, recognized that all of the talk about "a new Arnulfo" meant very little after the inauguration. At the ceremony, Arnulfo demanded the immediate return of the Canal Zone and soon began a massive shuffling of officers within the National Guard.³⁶ During the first year of military rule, Torrijos gained control and personally made this period of military rule different from the Remón era. Torrijos' movement, now referred to as Torrijismo, was military populism. While most military regimes had close ties with the right of the political spectrum, Torrijos allied himself with the left and a variety of popular concerns. While Remón had tried and failed to ally with the commercial elite, Torrijos opted to ally the National Guard with the masses.

To simply say that Omar Torrijos was a leftist would not capture the subtlety of his politics. Torrijos was pragmatic, yet simultaneously idealistic. He could be friends with Fidel Castro, lend his support to the independence movement in Belize, and send forces to help defeat General Antonio Somoza in Nicaragua, and deal pragmatically with the United States. Domestically, Torrijos behaved similarly. The cabinets of his era reflected a broad section of the political spectrum, including

³⁶William J. Jorden, Panama Odyssey (Austin: University of Texas Press, 1984), p. 130.

"conservative businessmen and Marxists."³⁷ Torrijos said, "I have certain benchmarks. If I move too far to the right, then Adolfo Ahumada and Rómulo Escobar [two leftist ministers] will yell at me. If I move too far to the left, the Gabriel Lewis and Fernando Eleta [two businessmen] will start to scream." Clearly Torrijos was an expert at *bailando la vara*.³⁸

a. Military

The National Guard, renamed the Panamanian Defense Forces (PDF/FDP-Fuerzas de Defensa Panameñas) in 1983, was the centerpiece of Torrijismo. Torrijos envisioned the National Guard carrying out civic action programs like those taught to Latin American officers in U.S. military schools and he wanted to copy the military populism of General Velasco Alvarado's government in Peru.

The ethnic composition of the military is an interesting consideration. During the Remón era, the military was opened up to the lower sectors of Panamanian society. By 1968 there were only a few officers with family ties to the oligarchy, like Commandant Bolívar Vallarino. The majority of the officers were from the lowest classes. This made the average member of the National Guard racially darker, with more in common with the lower classes than with the commercial elite. These officers and their peers were very different from Bolívar Vallarino, a member of the elite, and José Antonio Remón, a poor member of a prominent family. The nature of

³⁷Robert A. Pastor, Whirlpool: U.S. Foreign Policy Toward Latin America and the Caribbean (Princeton: Princeton University Press), p. 5.

³⁸Pastor, p. 19.

the changing ethnicity of the National Guard made challenging the oligarchy possible. For the first time the oligarchy and the military were two separate groups, from two separate Panamas.

b. Mass

The military program of Torrijismo was a challenge to the oligarchy, especially the extreme right represented by Arnulfo Arias. While both of these leaders were populist, they were on very different parts of the political spectrum and appealed to different, but partially overlapping constituencies. Torrijos reached out to lower class urban Panamanians, especially to Black West Indians who had previously suffered under Arias. In the interior of the country, the division between those in favor or opposed to Torrijos was less clear. Arias had traditionally appealed to the Cholo, the mestizo farmer in Panama's interior. However, Torrijos reached out to these groups also and was very successful in gaining support. The Torrijos-era legislature, called the National Council of Community Representatives, was actually weighted by Torrijos to favor rural areas.³⁹

c. Commercial Elite

The 1968 coup made the commercial elite's arguments over economic policy meaningless. The real choice after 11 October 1968 was whether to join with Torrijos or to challenge him. Many of Panama's commercial elite did support the Torrijos regime and continued to support the military into the Noriega years. President Ernesto Pérez Balladares is an example. He was from a prominent and

³⁹Steven C. Ropp, Panamanian Politics: From Guarded Nation to National Guard (New York: Praeger Publications, 1982), p. 78.

wealthy family and educated in the United States. Despite these elite credentials, he opted to serve Torrijos and Noriega.⁴⁰

On the other side, it should be noted that in the 1970's and especially the 1980's this class provided the impetus for opposition to military rule. The National Civic Crusade was made up of many civic organizations that had upper class leadership. Arnulfo Arias never gave up his opposition until his death in 1988 and his widow Mireya Moscoso de Gruber continued the civilista effort. By late 1989, the fight in Panama was largely a fight between the Rabiblanco-led civilistas and the Noriega-led Mulatto lower classes.⁴¹

d. Political Parties

Upon seizing power in 1968, the National Guard disbanded all political parties, with one exception. The communist party of Panama, called the Panamanian People's Party (PPP-Partido del Pueblo Panameño) was allowed to operate. However, the PPP never gained significant power and may have served Torrijos in controlling the extreme left.

⁴⁰President Pérez Balladares served the Noriega regime in 1989 by serving as the campaign manager for the Noriega supported candidate of the COLINA coalition.

⁴¹The best graphic portrayal of the racial aspect of the democracy movement in Panama is found in Newsweek, 22 May 1989, p.34. The photograph was taken during a dignity battalion attack on the newly elected leaders of Panama. In the photograph a Black Noriega supporter and member of a dignity battalion is beating Vice President elect Billy Ford, a Rabiblanco member of the elite. The term Rabiblanco means literally "white tail" and refers to Panama's European upperclass who are distinguishable from the masses by their "whiteness." See Panama: A Country Study (Washington, D.C.: U.S. Gov. Print. Office, 1989), p. 184.

The process of approving the Panama Canal Treaties convinced Torrijos of the need to democratize. He was encouraged to do this by President Carter and by many U.S. Senators who hoped to turn the Canal over to a democratic Panama. Political parties were allowed to form in 1978. The official Democratic Revolutionary Party (*PRD-Partido Revolucionario Democrático*) was Torrijos's attempt to demilitarize the Torrijista movement. He envisioned the PRD to have a role in Panama similar to the role that the Institutional Revolution Party (*PRI-Partido Revolucionario Institucional*) played in Mexico. Smaller official parties were also founded, such as Labor Party (*PALA-Partido Laborista*) in 1983 and Broad Front of Professionals (*FRAMPO-Frente Amplio de Profesionales*); these parties were to represent different wings of the Torrijista movement within the pro-military coalition.

The opposition formed (or re-formed) a variety of parties including: Arias's Panameñistas, the Christian Democrats, and the Liberal Republican and National Movement (1981). Despite their various agendas, opposition parties were able to unify in 1984 and 1989 to challenge the military's candidates.

e. U.S./CZ Leadership

The United States was not significant as a domestic player in Panama from 1968 until 1987. During this period, the Canal negotiations were an important issue, but this action was government to government and did not involve the U.S. as a domestic player in Panama.⁴² Anti-U.S. sentiment was equated with nationalism

⁴²This division between the United States behavior within Panama as a domestic actor and in its bilateral relationship is cumbersome but critical to this study. In normal state-to-state relations, nation-states are theoretically equals. This idea of

during the period and Torrijos used this nationalistic energy for his domestic program and in the diplomatic struggle with the United States. To say that the United States had no influence during this period might push the argument too far. It should be remembered that--according to some sources--both Torrijos and Noriega were on the CIA payroll.⁴³

With the 1987 indictment of Manuel Antonio Noriega by Federal Attorney Robert Merkle, the United States once again became a player in Panamanian domestic politics. The role was demonstrated by the transfer of Canal profits to the ousted DelValle government instead of to the Noriega-controlled Solis Palma government, and by the U.S. emphasis on having fair elections in 1989. With former President Carter directly confronting the military-controlled Electoral Tribunal as they attempted to steal the 1989 election, a degree of U.S. involvement in electoral matters unseen since 1918 had seemingly returned.

The period of military populism ended with Operation Just Cause, the U.S. name for the 20 December 1989 U.S. invasion of Panama. This action temporarily

the equality of states is an old one, one for which Panama always argued when it was active in the League of Nations. Certain U.S. dealings with Panama have been traditionally conducted along these lines, with all of the protocol that would exist in a relationship between symmetrical states. However, in other dealings with Panama the United States has clearly recognized the relationship as asymmetrical and has gone beyond the traditional boundaries usually associated with bilateral relationships. In this behavior as a domestic actor, the U.S. has overseen elections in Panama, intervened in local land disputes, and sought to influence the outcomes of national elections.

⁴³See Seymour M. Hersh, "The Creation of a Thug: Our Man in Panama" in Life, January 1990, pp. 81-93.

renewed U.S. dominance in domestic Panamanian politics. As the elected president (Guillermo Endara) and vice presidents (Ricardo Arias Calderón and Billy Ford) were sworn in on Fort Clayton as the invasion began, it was clear that a new era in domestic politics was beginning. As U.S. Military Judge Advocate General (JAG) officers jointly held court with their Panamanian counterparts, as U.S. military police were joined by members of the new U.S.-created Panamanian National Police (PNP) on joint patrols throughout Panama, and as the United States in numerous other ways assisted the new government to start over, it was clear the new democracy in Panama would be significantly different long after the U.S. troops were withdrawn. This was the foundation of the New Oligarchy.

6. New Oligarchy, 1989-

President Guillermo Endara, a Panameñista (later Arnulfista) leader, led the civilista coalition against Noriega in the May 1989 elections. His victory was recognized by the Catholic Church and the international community, however the elections were nullified by the Noriega regime. Endara and his two vice presidents, Billy Ford and Ricardo Arias Calderón, came from Panama's elite. Their interests were largely commercial and in good international relationships and trade when advantageous. While from similar backgrounds and interests, these three men were very different politically. Endara was in his heart an Arias Panameñista, but he had none of the Arias charisma and could hardly appear too nationalist and anti-United States. Ford was openly pro-United States and questioned Panama's ability to run the Canal after 1999. Arias Calderón was the only one of the leaders with a real political

doctrine, as a Christian Democrat he could not appear to be too close to the oligarchy. These differences led to the breakup of the Democratic Opposition Alliance (ADO- Alianza Democrática Opositoria), to Arias Calderón's ouster from the Endara cabinet in early 1991, and to the civilista defeat in 1994.⁴⁴

The New Oligarchy is dominated by the commercial elite, whose members include Endara, Ford, Arias Calderón, and Pérez Balladares. While Pérez Balladares and other member of the PRD would reject calling their rule an oligarchy, the change of power from Endara to Pérez Balladares marked no restructuring of domestic politics.

Like many Panamanian politicians, Pérez Balladares could be described as a chameleon. In the videos of the Noriega era (1983-89), Pérez is pictured as a Noriega insider, the manager of the dictator's handpicked candidate in the fraudulent 1989 Presidential Election. This is the image on which the civilista candidates in the 1994 election hoped the electorate would focus. On the other hand, there is Pérez the businessman, schooled at the University of Notre Dame and the Wharton School. The former Citibank executive seems friendly enough. It was Pérez Balladares, the U.S.-trained banker, that met with and impressed President Bill Clinton on 20 July 1994 and it is this Pérez Balladares that has Panama on a neo-liberal economic track.⁴⁵

a. U.S./CZ Leadership

⁴⁴Shirley Christian, "Panama Reaches High But Stays Mired in Pain," New York Times, 29 April 1992, ISLA, Vol.44, No. 4, p. 89.

⁴⁵Eric Schmitt, "New Panama Leader: An Enemy Becomes an Ally," New York Times, July 21, 1994, p. A6.

The United States played the key role in ending the era of military populism with Operation Just Cause. This operation was supported by an overwhelming majority of the Panamanians (nine out of ten) and resulted in the return to structural democracy.⁴⁶ The U.S. role in domestic politics was dominant from 20 December 1989 and into the first months of 1990, but faded quickly as U.S. forces redeployed to their home bases.

So long as political democracy in Panama remains, the U.S. is likely to play a minor role in domestic politics until U.S. forces are withdrawn and the Canal is turned over to Panama on 31 December 1999. After that date, the United States will likely no longer be a significant enough force in domestic politics to warrant a category.

b. Commercial Elite

While the domestic power of the U.S. faded fast after 1989, the predominance of the commercial elite appears more permanent. Almost all of the major political parties draw their leadership from this group. While still somewhat divided on trade and development issues as they were in the 1960's, the commercial elite is unchallenged for national leadership.

Despite any claims to the contrary, President Ernesto Pérez Balladares has the interests of the commercial elite very much in mind in following a neo-liberal path to economic development. His monetary policy is very much like that of Endara and very different from what the populist rhetoric of Torrijismo has traditionally advocated. In addition to privatizing the National Institute of Telecommunications

1. ⁴⁶FBIS Latin American Daily Report, 31 January 1990, pp. 40-

(INTEL), Pérez Balladares has ambitious goals of (1) joining the General Agreement on Tariffs and Trade (GATT), (2) reforming the Labor Code, and (3) joining the North American Free Trade Association (NAFTA). To pacify those concerned with social welfare, the government is promising to use the money made from privatization of INTEL to eradicate poverty. This is a massive job, considering the economic reverse that Panama suffered during the last two-years of the Noriega regime.⁴⁷

c. Political Parties

The beginning of the Torrijos "abertura" (opening) in 1978 marked the renewal of a long struggle for Panama's political parties.⁴⁸ The era of military rule divided the country into two opposing camps: those who supported the military and those who opposed the military. This struggle gave rise to a multi-party, but basically two-coalition system. The PRD clearly led the parties in favor of the military and the Panameñistas were the largest opposition party and led the civilista coalition.

What is significant is that the parties survived and came to mean more than just ad hoc support for an ever-changing procession of political strongmen. The PRD not only survived the death of Torrijos, but the end of military rule. The Panameñistas (now Arnulfistas) survived the death of Arnulfo Arias and supported a

⁴⁷"The Economy Under the PRD," Panama Update, No.11 (Winter 1995, p. 5.

⁴⁸The term "abertura" is not usually associated with Panama, however the national vote on the Torrijos-Carter Treaties, the legalization of political parties, the strengthening of the civilian office of the presidency, and the plan to hold presidential and legislative elections in the 1980's all indicate that there was a Torrijos abertura from 1978 until BG Torrijos's death in 1981.

little-known Guillermo Endara as candidate in 1989. These and other parties now seem to have a history of their own and to be beyond their former status as transitional groupings used and disposed of by caudillos.

d. The Masses

The position of the masses in domestic politics is an important consideration in determining the nature of the current regime and the potential pressure that popular forces could place on the government. The Endara administration experienced labor unrest, in the form of a teachers strike and a transportation strike. During the education strike the government barely responded to the teachers' demands and instead simply waited for the educators to return to work. President Endara's Controller General Rubén Darío Carles was the fiscal conservative who was known for always saying "No" on behalf of the Endara government. He was known for being honest and even handed, i.e. he said "No" to everyone who asked for more money.⁴⁹

On issues regarding the Canal the desires of the populace have since 1979 counted for nothing. Endara made it clear that he would not reopen negotiations with the United States on bases or the Canal--despite calls by many labor leaders to do so and polls indicating that a majority desired that the U.S. military forces remain in Panama. President Pérez Balladares has indicated that he is willing to discuss the matter, but that the United States will have to ask if basing rights are desired.⁵⁰ On the issue of the Canal, there is no question. As a member of the commercial elite,

⁴⁹Tracy Wilkinson, "Panama's Economy Rests in his Hands," Los Angeles Times, 24 August 1993, ISLA, Vol.47, No.7, p. 122.

⁵⁰La Prensa, 13 April 1994, p. 6A.

Pérez Balladares views the Canal as the national patrimony and believes that Panamanians can operate it successfully at great profit. This view is shared by most of the elite commercial class in Panama and allows the government to disregard popular opinion that questions Panama's ability to successfully operate the Canal and the reverted areas.

The most comprehensive nationwide study conducted on public opinion on this issue is a study by Dr. Carmen Quintero Russo of the University of Panama's Institute of the Panama Canal and International Studies.⁵¹ Some important findings are listed below:

(1) "Is economic benefit more important than sovereignty?" Answer: 66.7% No, 17.2% Yes.

(2) "Opinion concerning the Torrijos-Carter Treaties" Answer: 11.4 Very Good, 29.6 Good, 3.9% Indecision, 43.2 Regular, 7.1 Bad, 4.8 No Opinion.

(3) "Do the Torrijos-Carter Treaties prejudice the economy with the disestablishment of military bases?" Answer: 41.9% Yes, 37.5% No, 20.6% I do not know.

(4) "Will the Canal be more efficient under Panamanian administration?" Answer: 55.6% No, 13.1% Yes, 31.3% I do not know.

(5) "Does Panama's inability to defend the Canal justify the U.S. military

⁵¹Carmen Quintero Russo, Opiniones y Expectativas Acerca del Canal de Panamá, Bienes y Areas Revertidas (Panamá: Imprenta Universitaria, April 1994).

presence in Panama?" Answer: 48.6% Yes.⁵²

In summary, the Panamanians interviewed were in theory very nationalistic, stating that Panama was not a U.S. invention and that sovereignty was more important than the economy. However, when the questions became more substantive, the majority of Panamanians believed that Panama would not administer the Canal better than the United States and that the Rail Road failed because of bad administration. A plurality believed that the departure of military bases was putting the economy in jeopardy and that Panama's lack of ability to defend the Canal justified the U.S. military presence. The study could be criticized for having overrepresented the populations of Colón and Panama City and for having disproportionally represented the student population (40.6% of those interviewed).⁵³ It could be argued that this overrepresentation of students could give the study an anti-U.S. and idealistic bias.

Other studies have shown a much stronger opinion among Panamanians that the U.S. military presence should remain in Panama. One study published that 80% of Panamanians wanted the U.S. to remain, but most estimate of this sentiment seem to be around 70%.⁵⁴ However, as a demonstration of the popular class's position during the period of New Oligarchy under both Endara and Pérez Balladares, these popular sentiments are not reflected by policy-makers or any significant faction of legislators.

⁵²The study does not provide a breakdown of all of the answers to this question, only the percentage that chose "yes". Ibid., p. 45.

⁵³Ibid., p. 11.

⁵⁴FBIS Daily Report, 16 March 1994, p. 20.

The presidential candidates in 1994 were unanimous in supporting the implementation of the Carter-Torrijos Treaties, with only one exception. Former Controller General Rubén Darío Carles, who was a presidential candidate on the MOLIRENA, MORENA, and Renovacion Civilista tickets, favored renegotiation of the treaties. However, Carles only won 16.2% of the vote. This would seem to indicate that Panamanians voted their nationalistic, abstract convictions on the issue of the U.S. presence, or voted on other issues.⁵⁵

e. Military

Defeated and disbanded during Operation Just Cause, the Panamanian Defense Forces does remain a political force in Panama in several ways. The Panamanian National Police (PNP) is made up of many former PDF members, some 75-80 percent in 1992.⁵⁶ The PRD has sought close connections with those interested in military matters and Pérez Balladares has approved amnesty for some PDF. Even though the extreme Noriegista factions of the PRD, has sought to represent the militant side of the Noriega era military, the moderate wing of the PRD has sought to remake the party's image. The party president Gerardo González is the standard bearer for the populist Noriegista wing of the Party and finds support among the anti-U.S. Tendencia faction. Pérez Balladares has been at the forefront of this effort to reshape the PRD and to portray it as a civilian-led, Social Democratic party. Increasingly, the

⁵⁵Latin American Weekly Report, 19 May 1994, p. 1.

⁵⁶Percent of PNP that were formerly PDF is from PNP Chief Osvaldo Fernandez. Shirley Christian, "Panama's Police Force is Already Under Fire," New York Times, 1 September 1992, ISLA, Vol. 45, No. 3, p. 109.

Noriegista side of the PRD is obscured.

The future of the military in domestic politics is unknown. The constitution is undergoing revision; this is much needed as the 1972 document still preserves a large role for the military. It seems that the military will be formally disbanded and that the PNP will remain the lead service in protecting the Canal. It is likely that the prestige and power of the institution will grow as the U.S. forces depart.

C. DOMESTIC ACTORS

1. Commercial Elite

This union of the old conservative elite of Amador and the newer more bourgeois commercial elite of Arias, Endara, Ford, and Pérez Balladares has been the predominant domestic political force during much of Panama's history: 1920-1941, 1954-1968, and 1989 to present. Although not always in agreement on economic policy or the proper relationship with the United States, this group is united in viewing Panama as a world emporium and the Canal as the national patrimony. Author Humberto E. Ricord dives the capitalist class of Panama into four groups: (1) the commercial bourgeois, (2) the industrial capitalists, (3) the financial sector, and (6) the large landowners.⁵⁷ The term "commercial elite" is used in this study because the commercial sector dominates elite circles. The commercial elite, centered around membership in the *Club Unión*, view themselves as "serious people" who can lead business and Panama into the 21st century.

⁵⁷Humberto E. Ricord, Los Clanes de la Oligarquía Panameña y El Golpe Militar de 1968 (Panamá: Colección : Política y Sociedad en Panamá), p. 15.

2. The Masses

The Panamanian people in the abstract are nationalist, but are also known for voicing their everyday concerns. They did this face to face with Torrijos in his town meetings and they did this at risk of great personal peril on both sides of the national struggle during the end of the Noriega era. The group's sense of nationalism was shaped by the Flag Riots of 1964, the Torrijos Revolution of 1968, the Struggle for Democracy in the late 1980's, and the 20 December 1989 U.S. invasion. As a result, it is suspicious of both the United States and the Panamanian oligarchy.

At the same time, the Panamanian mass is malleable and responsive to political rhetoric. It is a population that is willing to overwhelmingly support seemingly contradictory forces, such as (a) Arnulfo Arias in a fascist reorganization of national life, (b) the populist militarism of BG Omar Torrijos, (c) the U.S. invasion in 1989, and (d) Endara's presidency initially, in 1990. These obvious and great changes in Panamanian public opinion indicate that the masses are easily influenced and that elite-populists and military-populists are skilled at mass manipulation.

3. Political Party Interests

In the early years of the republic, political parties in Panama meant little. They were disposable tools of national caudillos. The political groupings after the Arias coup in 1931 and from 1954 to 1968 were more important and provided the basis for the modern party structure. The party system that developed after 1978 and especially after 1989, is the strongest in Panama's history. Parties have been able to survive the deaths of their leaders, indicating a degree of institutional strength. Current electoral

law is encouraging a smaller number of parties and it is conceivable that in the long run a two-coalition system could re-emerge, one similar to that of 1984 and 1989.

4. Military

The Panamanian military--in its various guises as the National Police, the National Guard, the Panamanian Defense Forces, and the Panamanian National Police--has traditionally held a position of importance inverse to that of the U.S./CZ leadership. In the early years of the republic, when the United States did not hesitate to use its treaty rights to intervene domestically, the Panamanian military counted for little. As the U.S. grew more reluctant to intervene, the Panamanian military grew stronger and was able to become a political actor--the arbiter of national elections by 1941. The military coup of 1941 marks an anomaly in relations between the Panamanian military and the U.S. military. The two militaries worked closely together during the Second World War.

The Torrijos era of military rule was a transformation of the military's position in domestic politics. The military after 1968 was no longer a tool of the oligarchy nor in alliance with the oligarchy, as had been the case under Remón. The National Guard after 1968 was in political union with the masses, the social origin of the majority of National Guardsmen. The United States, in contrast to the Panamanian military, was virtually a non-player in domestic politics during the Torrijos and Noriega eras, until very late in the 1980's.

The resurgence of the U.S. as a domestic political actor in Panama--demonstrated by the indictment of Noriega, the high degree of involvement in the

1989 elections, the funneling of Canal profits to the ousted government, and ultimately Operation Just Cause--marked the decline of the Panamanian military's role in domestic politics. Whether or not this change is reversible is unknown, but it is likely that the stature of the PNP will grow as U.S. forces are withdrawn in accordance with the Carter-Torrijos Treaties.

5. United States/CZ leadership

The role of the United States as a domestic political actor within an independent, foreign country is unusual.⁵⁸ The U.S. Governor of the Canal Zone, the President or Chairman of the Panama Canal Company or Commission, and the Commander of the Southern Command have all played important roles within Panama. These players have been dominant on three occasions, from 1903 to 1920, during World War II, and in late 1989-early 1990. It does seem that Operation Just Cause represented the last period of dominance for the U.S. and its local representatives in Panamanian domestic politics. The final military withdrawal in 1999 and the turnover of the Canal will mark the end of an era and will probably end any residual role that the U.S. has played in post-Just Cause Panama.

D. CHAPTER CONCLUSIONS

1. Linkages: The Importance of Domestic Politics in Foreign Policy

Development

⁵⁸Some parallels could be drawn between U.S. activities within Panama and U.S. activities in the Philippines and Cuba in the first half of the 20th century and U.S. activities within Japan and Germany after World War II.

During the early years of the Republic when the U.S. played a major role in domestic politics via the Canal Zone officials, Panama was clearly close to the United States diplomatically. Early diplomatic efforts to advertise the accomplishments being made in Panama, to oppose the Drago Doctrine, and to unify efforts during World War I demonstrate the pro-U.S. bias of Panamanian foreign policy during the first 20 years of the Old Oligarchy (1903-31). During this same period the U.S. was the arbiter in domestic politics as demonstrated by U.S. administration of national elections. The ties between the U.S. elite, in and out of the Canal Zone, and the Panamanian oligarchy were strong through blood and friendship.

The period of Elite Populism (1931-1941) was dominated by the Arias Madrid brothers and the new bourgeois interests that they represented. Arnulfo Arias' anti-American, pro-fascist Panameñista doctrine called for a revision of the Panama-U.S. relationship. While the Old Oligarchy lacked the will to motivate the populace against the United States, Arnulfo Arias had no such qualms. The 1936 Hull-Alfaro Treaty answered at least some of the Nationalist concerns, as the United States gave up its right to intervene in Panama. Ultimately, however, Arnulfo Arias was too much for the United States to accept. His emphasis on Panamanian sovereignty in the months leading up to the U.S. entrance into World War II soured the relationship.

The period of Elite Militarism (1941-1955) began with pro-U.S., pro-United Nations cooperation in the war effort. The regime wanted good relations, especially good military-military relations. Panamanian ships were armed, U.S. forces in Panama expanded, and a high level of cooperation was maintained. Following the war, the

relationship between Panama and the United States grew cold as the U.S. refused to leave World War II bases.

The 1947 U.S. abandonment of the bases relieved the immediate tension and the 1953 Remón-Eisenhower agreements allowed for renewed goodwill. Clearly, it seems that Remón's interests were those of his two most important constituencies, the commercial elite and the military. The commercial elite wanted more business opportunities. The National Guard wanted good relations with the U.S. military, knowing that this would likely result in an improved National Guard. The more populist demands were not reflected in the Remón -Eisenhower talks, reflecting the fact that Remón's power was not based on support from the masses.

The Middle Oligarchy (1955-68) began as a period of few demands for further changes in the U.S.-Panama relation. However, Panamanian popular sentiment encouraged by nationalist students and some Marxist groups grew to the opinion that major change in Panama's foreign policy towards the U.S. was necessary. President Chiari, as leader of the Middle Oligarchy, did not decide to challenge the U.S. over the issue of the Canal Zone. He was, in the face of an angry Panamanian mob in 1964, forced to take a firm anti-U.S. stand. The treaty that was negotiated by the Middle Oligarchy represented the interests of the commercial elite and was not acceptable to mass sentiment. After 1964, the middle oligarchy did not have a free hand to ratify the kind of treaty that reflected the interests of the dominant commercial elite, i.e. the shelved 1967 agreement.

During Military Populism (1968-89), General Torrijos was able to capture

control of the populace by standing with popular sentiment. His stand insisting that the United States turn over control of the Canal Zone reflected the nationalist opinion of his supporters. His reaction to the United States was also a rejection of all that had occurred before him, i.e. the work of the oligarchy. The Panama-U.S. cooperation from 1979 to 1986 was possible because of the good feelings after the Carter-Torrijos treaties were approved. The 1987-89 hostility was more a reflection of Noriega's personal feelings towards the United States and President Bush than a reflection of military or mass sentiment.

2. New Oligarchy Compared to Previous Similar Periods

a. The Nature of Oligarchic Rule in Panama

If domestic politics are important in the formation of foreign policy, then there should be lessons available from the past that can be used now (in the New Oligarchy). Looking at the political economy of the various periods, there does appear to be similarities between the current era and the Old Oligarchy (1903-31) and the Middle Oligarchy (1955-68). During both of these periods, the commercial elite was the principal domestic actor.⁵⁹ During the Middle Oligarchy and the New Oligarchy, political parties have played important roles, second only to the commercial elite. The masses and military have never been higher than third place during oligarchical rule and the United States has been a minimal actor in fifth place, except during the first 17 years of the Old Oligarchy and the first six months of the New Oligarchy.

⁵⁹This summary does not hold true during the first 17 years of the Old Oligarchy due to the dominant position of the U.S./CZ leadership.

During each of these three periods, Panamanian demands for revision of the bilateral relationship have not been vigorously pursued by leaders. No attempts have been made to utilize the masses against the U.S., however the masses have sometimes acted on their own and sometimes been led by forces outside of governmental control. Generally speaking these periods of rule have been characterized by leaders interested in development and good business relations.

b. What Were the Threats to Oligarchic Leaders?

(1) in 1931? The threat that removed President Florencio Arosemena from office was an unrecognized change in national sentiment, personified by Arnulfo Arias. Arias was able to appeal to the masses for support and they responded to his racist, anti-American rhetoric. He gave the mestizo population a sense of nationalism and he and his brother appealed to the popular classes as outsiders, as real Panamanians from the interior contrasted with elite Panamanians, like President Arosemena, who were insiders and part of a corrupt system.

(2) in 1941? While the Arias Madrid brothers came to power portraying themselves as outsiders, they married into, grew into, and became a part of the Panamanian oligarchy. The commercial interests represented by the Arias Madrid brothers were soon accepted by Panama's traditional elite, as the two interests melded into one commercial elite oligarchy. Arnulfo Arias's downfall in 1941, while at the hands of the Panamanian National Police, was clearly a result of larger issues. Arnulfo Arias's failure to support the United States to the degree in which some United States policy-makers desired, place President Arias out of step with the

regional effort to prepare for World War II. The Panamanian military and anti-Arias politicians understood this and recognized their opportunity to step into power in Panama. Close cooperation with the United States assured those who successfully conducted the coup United States support and good relations. While some would insist that the United States was heavily involved in this overthrow, this allegation cannot be substantiated.

(3) in 1968? The threat in 1968 was similar to that of 1931, but instead of a civilian coup, the action was carried out by the National Guard. Arnulfo Arias, instead of being the anti-oligarchical coup leader, was the coup victim. Arias had made too many enemies over the years and threatening the National Guard was the final straw.

3. Pérez Balladares Dancing the Stick

a. The Limits of Acceptable Behavior

Pérez Balladares as the face of the New Oligarchy has advantages over Arosemena and Arias, advantages that make his term potentially more successful. Pérez Balladares' credentials as a Torrijista and a businessman give him support from the two groups that were the threats in 1931 and 1989, the commercial interests supported by the masses and the military supported by the masses. If he is able to continue satisficing all sectors as he seems to be doing now, a wide latitude of behavior is open to him. The PNP and former PDF members are largely supporters of the President, who has provided amnesty and who will likely build up the police as an institution. The effort to enter GATT and eventually NAFTA makes the business

community excited over potential growth and profits. His base in the party system is firm and he has been able to build a majority coalition in the Assembly. Pérez Balladares' potential biggest problem is with the masses, but his mantle as a Torrijista helps and his emphasis on reducing poverty will help more.

Symmetrical and Asymmetrical Domestic Conditions in 1995 Panama			
Domestic Conditions in Panama	Domestic Conditions in United States		
		Constrained	Permissive of Stimulative
	Constrained	Peace From Mutual Constraint	War/Deterrence Failure
	Permissive or Stimulative (Probable Condition)	Peace From Self-Deterrence/Unnecessary Deterrence	Realist World/Balance of Power

Table 12: After Rosecrance and Stein, 1993, p.19.

b. How This Affects Panama's Foreign Policy Behavior

In summary, the New Oligarchy under Pérez Balladares is healthy and capable of a wide range of options in foreign policy. Using Rosecrance and Stein's table 1, a comparison of Pérez's relatively "unconstrained" position as leader of the status quo power (i.e. the power satisfied with the current Carter-Torrijos Treaties) is interesting. If Pérez Balladares is relatively "unconstrained" (i.e. facing "permissive" domestic conditions) and the table is predictive then the outlook for negotiation with Panama seems good. The table indicates that major conflict is not likely with such a domestic condition and that "Peace from Self-Deterrence" or "Balance of Power" is

likely.

Ernesto Pérez Balladares may dance the stick better than anyone so far. This may be the only characteristic inherited from his mentor, BG Omar Torrijos Herrera. While Pérez Balladares may be a political survivor and able to accomplish many things, his actions indicate that his political and economic policies are very different from those of Torrijos. In fact, Pérez Balladares is using his strength to dismantle and privatize much of Panama's state industrial holdings. Domestically, Pérez Balladares is to Torrijos what Argentine President Carlos Menem is to Juan Perón. In the area of foreign policy, only time will tell, but it seems clear that President Pérez Balladares will make his own foreign policy and not simply restate old policies inherited from his ideological mentor. If he continues *bailando la vara* so well, then possibilities in the foreign policy behavior for Panama may only be limited by Pérez Balladares' imagination and his continuing understanding of the relative strength's of the commercial elite, the political parties, the masses, the military, and the fading U.S./Canal Zone leadership.

Panamanian Domestic Politics By Regime*							
Year	Regime	Foreign Policy (Theme)	U.S.	Mil	C	P	M
1903-31	Old Oligarchy	Cooperation (Commercial)	1-3	5-4	3-1	4	4-5
1931-41	Elite Populism	Confrontation (Sovereignty)	5	3	1	2	4
1941-55	Elite Militarism	Cooperation (Security/Sovereignty/Commercial)	1-5	2-1	3-2	4	5-3
1955-68	Middle Oligarchy	Limited Confrontation (Sovereignty/Commercial)	5	3	1-2-1	2-3-2	4-1-4
1968-89	Military Populism	Confrontation (Sovereignty)	5	1	3-2-3	4-3-4	2-4-2
1989-	New Oligarchy	Limited Cooperation (Commercial)	1-5	5-4	2-1	3-2	4-3

* U.S.=U.S./Canal Zone Leadership Mil.= Military C=Commercial Elite P=Political Parties M=Masses

(1) Number rankings indicate the relative importance of sectors in the domestic politics. "1" means that the sector is the most powerful in the regime; "2" means that the sector is less powerful than the "1" sector, but more powerful than the others; and so forth.

(2) Numbers assigned as those of the author.

(3) When a sector has more than one number assigned during a regime, this reflects that the sector's ranking varied. For example, the ranking of the "U.S./CZ leadership" during the New Oligarchy (1989-) is shown as "1-5;" this means that the U.S./CZ leadership began the regime as the most powerful sector, but then fell to the weakest position.

Table 13: Author

V. POLITICAL LEADERSHIP IN PANAMA:

CAN ONE MAN MAKE A DIFFERENCE?

The importance of political leadership is often debated in political science. Many theories stress the limitations on leaders or the importance of the bureaucracy and tend to overlook the obvious importance of political leadership and the character of the men and women who hold leadership positions. Failing to consider the human factor in politics and foreign policy formation is a mistake.

A. CHAPTER OVERVIEW

This level of analysis, political leadership, is one of three used in this study. The other two levels of analysis--the international systemic level and the domestic politics level--represent limitations on leadership and provide the context for decisions. It is, however, at this third level of analysis where the decisions are made; to paraphrase Harry S Truman, "the buck stops" at this level of analysis.

1. The Regional Tradition

In Latin America, the concept of political leadership is a strong one. The Wars for Independence in the early 19th century produced strong military generals who were often able to translate their military power into a political base. The great men of early Latin American history include Simón Bolívar (1783-1830), José de San Martín (1778-1850), and José Artigas (1764-1850). The post-independence history of the region has continued to be resplendent with great figures who asserted decisive leadership: José Gaspar Rodríguez de Francia (1766-1840) in Paraguay, Juan Manuel Ortiz de Rosas (1793-1877) in Argentina, and many others. Even in the 20th century,

the tradition of great figures dominating nations has not been abandoned. Juan Perón (Argentina), Alfredo Stroessner (Paraguay), Fidel Castro (Cuba), Augusto Pinochet (Chile), and many others made history and largely determined the fate of their nations by mere force of personality and determination. These men and many like them have virtually controlled the foreign policies of their nations.

The foreign policies of these men and their nations cannot be explained by the Organizational Process Model (Allison II) or the Bureaucratic Politics Model (Allison III), but only by studying the men themselves.¹ Stephen D. Krasner points out the fallacy of recent thinking in an article entitled "Are Bureaucracies Important? (Or Allison Wonderland)":

Who and what shapes foreign policy? In recent years analyses have increasingly emphasized not rational calculations of the national interest or the political goals of national leaders but rather bureaucratic procedures and bureaucratic politics.²

My argument here is that this vision is misleading, dangerous, and compelling: misleading because it obscures the power of the president; dangerous because it undermines the assumptions of democratic politics by relieving high officials of responsibility; and compelling because it offers leaders an excuse for their failures and scholars an opportunity for innumerable reinterpretations and publications.³

While Krasner's comment on the overemphasis of bureaucratic politics questions the Allison models' application in explaining U.S. foreign policy, the

¹Graham Allison, Essence of Decision: Explaining the Cuban Missile Crisis (New York: Little, Brown and Company, 1971).

²Stephen D. Krasner, "Are Bureaucracies Important? (Or Allison Wonderland)", Foreign Policy, No. 7 (Summer 1972), pp. 159-179.

³Ibid., p. 169.

question is certainly applicable in Latin America where bureaucracies are not as developed as that in the United States and where presidential power is traditionally strong.

2. The Leadership Tradition in Panama

The early leadership of the Republic of Panama was civilian. The leaders of the 1903 Revolution and members of the governing junta were drawn from the elite of Panama City. While none of these men were particularly charismatic and powerful leaders, larger personalities loomed in the shadows of Panama's independence: Phillipe Bunau-Varilla, Theodore Roosevelt, William Nelson Cromwell. Political leaders within Panama were largely local caudillos. It was two decades later, in the 1920's, when Belisario Porras--the first of Panama's truly national leaders--changed the nature of the caudillo system from a local to a national system.

3. The Methodology of This Chapter

In this chapter, five past national leaders and the current president will be studied as individual leaders.

a. A Psycho-Political Approach, in the vein of E. Victor Wolfenstein's The Revolutionary Personality: Lenin, Trotsky and Gandhi will be taken.⁴ This approach should provide insight into the values, fears, and desires of the leaders to be studied and into what Otto Klinberg calls the "pictures in our heads."⁵ In order to

⁴E. Victor Wolfenstein, The Revolutionary Personality: Lenin, Trotsky, and Gandhi (Princeton: Princeton University Press, 1967).

⁵Otto Klienberg, The Human Dimension in International Relations (New York: Holt, Rinehart and Winston, 1966), p. 33.

accomplish this task systematically, a list of "Salient Background Variables" developed by Lewis J. Edinger will be used; these include such categories as personal history (biological and Socio-psychological factors) and political history (recruitment and experiences).⁶

The education and training of each leader will be studied in the acculturation and socialization category. The leaders have a mixed educational experience, with some receiving education in the United States and some in other nations. Also, three of the leaders received military training and three were exclusively civilian. How these factors relate to their foreign policy behavior is of interest. Otto Klonberg studied the effects of education abroad on leadership. His approach could be valuable if applied in the case of Panama.⁷

b. The relationship between the leader and the led will be considered.

Max Weber's concept of charisma will be used in the form of his three classifications of "The Pure Types of Legitimate Authority":

There are three pure types of legitimate authority. The validity of their claims to legitimacy may be based on:

1. Rational grounds--resting on a belief in the "legality" of patterns of normative rules and the right of those elevated to authority under such rules to issue commands (legal authority).

2. Traditional grounds--resting on an established belief in the sanctity of immemorial traditions and the legitimacy of the status of those exercising authority under them (traditional authority); or finally,

3. Charismatic grounds--resting on devotion to the specific and exceptional sanctity, heroism or exemplary character of an individual person,

⁶Lewis J. Edinger, "Political Science and Political Biography," Glen D. Paige, ed., Political Leadership: Readings For an Emerging Field (New York: The Free Press, 1972) , p. 235.

⁷Ibid., pp. 110-21.

and of the normative patterns or order revealed or ordained by him (charismatic authority).⁸

4. On Case Selection

The leaders that will be studied here include Arnulfo Arias Madrid, José Antonio Remón Cantera, Omar Torrijos Herrera, Manuel Antonio Noriega, Guillermo Endara Galimany, and Ernesto Pérez Balladares. Some discussion of why these individuals were selected is necessary. The first four leaders were selected because of the importance of their rule in Panama. The first three are among the most important political leaders in Panama's history and each dominated their eras.

Arnulfo Arias (1901-1988) led a civilian coup against the elected government in 1931 and was subsequently elected to the Presidency in 1940, 1948, and 1968.⁹ Although he was never able to serve more than half his term, he was clearly one of the major forces in 20th century Panamanian politics until his death in 1988. His legacy continues in the form of the *Arnulfistas*, the renamed *Panameñista* Party.

José Antonio Remón Cantera (1908-1955) was the first of Panama's military leaders. In the late 1940's and early 1950's, Remón was the arbiter of power in Panama. His experience provided valuable lessons for future Panamanian military strongmen and he provides an interesting comparison to Omar Torrijos and Manuel Noriega.

⁸Max Weber, On Charisma and Institution Building, S.N. Eisenstadt, ed. (Chicago: University of Chicago Press, 1968), p. 46.

⁹Some argue that Arnulfo Arias also won in 1964. The assertion that he was the actual winner in 1984 is widely accepted.

Omar Torrijos Herrera (1929-1981) is an obvious choice. As a participant in the 1968 National Guard coup against Arnulfo Arias, Torrijos was clearly one of the designers of modern Panama. From his consolidation of power in 1969 to his death in 1981, Torrijos dominated domestic politics. While he defied political categorization, he challenged the United States and brought the most significant change in Panamanian-U.S. relations in history.

Manuel Antonio Noriega (1934-), while increasingly less important, sidelined, and viewed as an anomaly in Panamanian history, nevertheless was the major actor in Panama during the 1980's. As military strongman, Noriega almost singlehandedly brought on bad relations with the United States. His actions prompted the United States to impose economic sanctions that ruined Panama economically and to conduct an invasion that rearranged the nation politically and swept the Defense Forces from power. Regardless of current opinions on Noriega and the fact that many Panamanian politicians would like to distance themselves from him, he was one of the most important figures in Panama's history.

The selection of Guillermo Endara Galimany (1936- , and president 1989-94) is the most difficult of the cases selected to justify as being included. Endara's importance is as a transitional figure. He provides an excellent contrast to the other leaders. His relative weakness as a leader and failure to develop a unique foreign policy stand could be explained by his character, his training, and the basis of his authority.

Ernesto Pérez Balladares is studied not because he has proven to be a great

leader, but rather because he and his leadership are the central focus of the whole thesis. It is Pérez Balladares that this chapter of the thesis is attempting to explain. He will be studied and compared and contrasted with the other leaders. It should be noted that the character of Pérez Balladares that is reflected in this thesis is only a preliminary view and based on his behavior in office up to mid-1995.

A word is also necessary on why many significant characters in Panamanian history were not selected. Were this study being conducted with limitless resources and time, it would be ideal to study each of Panama's military and civilian leaders. However, this is not feasible for the purposes of this thesis. Other possibilities for inclusion that were considered include: Manuel Amador, Panama's First Constitutional President; Belisario Porras, three-time president and the first real national political caudillo; Harmodio Arias, president, brother of Arnulfo but leader in his own right, who was President during the Hull-Alfaro Treaty negotiations; Marco Robles, president (1960-64) during the Flag Riots and the beginning of the 1964-67 treaty renegotiation process. These and others were left out in the process of attempting to choose the most important figures of Panama's political landscape.

B. LEADERSHIP CHARACTERISTICS AND FOREIGN POLICY

1. Arnulfo Arias Madrid

a. Psycho-political approach

(1) Personal History

a. Biological factors. Born on 15 August 1901, Arnulfo Arias was 29 years old when he and other members of Acción Comunal overthrew the

civilian government in 1931. He was 39 years old on assuming the presidency in 1940, 50 years old on assuming the presidency in 1951, and 67 years old upon assuming the presidency in 1968. His final run for the presidency was at age 83 in 1984. Arnulfo Arias was of medium build and remained in good health into his late 70's. Arias suffered from a heart condition late in life and it was heart failure that led to his death in 1988.

b. Socio-psychological factors

(1) Social background. Arnulfo Arias's origins have been described as humble. He was raised in Penonomé in the province of Coclé and the Arnulfista version of his early life indicates that the family "suffered from economic depravity."¹⁰ Although Arnulfo Arias's parents, Antonio Arias and Carmen Madrid de Arias are described as humble, they obviously valued their children's education greatly and eventually sent Arnulfo to school in the United States.

a. Acculturation and socialization. Arnulfo Arias, upon leaving Panama, first studied at the University of Chicago and then at Harvard Medical School. Panamanian historian that Vega Méndez writes that it was during this period that, "we are told that Arnulfo Arias's attitude polarized each time more strongly in the defense of our sovereignty in the Canal Zone."¹¹ This interpretation, which is provided in a very politicized history, may very well be a reinterpretation of Arnulfo Arias's thinking during his education in the United States.

¹⁰Demóstenes Vega Méndez, El Panameñismo y su Doctrina (Panamá: Estrella de Panamá, 1948), p. 10.

¹¹Ibid.

Upon return to Panama, Arias was faced with a new opportunity. With his M.D. from Harvard, he was now one of the most educated men in Panama and welcome into the centers of power. He married Ana Matilda Linares. She was the daughter of Enrique Linares, who held a variety of important positions in the government including that of designado (vice president).¹² His brother Harmodio was an increasingly respected member of the society.

(2) Personality Characteristics

a. Attitudinal patterns. Arnulfo Arias's life is a lesson in dogmatism. From his first involvement in politics in 1931 until his death, Arnulfo was something of a possessed man. In his mind, he was a great man who deserved to rule Panama. He was a man who thought that he could handle whatever challenge, and that he could push matters a little further.

b. Behavioral patterns. Arnulfo Arias's behavior was typically to overreach his actual ability to control matters. In each of his three falls from power, he had pushed matters too far. In 1941, he refused to cooperate further in preparations for World War II and disenchanted the United States and the National Police. In 1952, he attempted to demonstrate real power--when it was clear that Colonel José Remón was actually in charge. And in 1968, he attempted to take revenge on the National Guard--despite claims that "a new Arnulfo" had developed and despite his own assurances that he would not reorganize the National Guard. In 1941, 1952, and 1968, it was always a case of pride before the fall.

¹²Julio Linares, Enrique Linares En La Historia Política de Panamá (San José: Litografía e Imprenta LIL, 1989), p. 287.

(2) Political History

a. Recruitment into political activity. Arnulfo Arias's first political involvement seems to have been after his return from Harvard. He became involved as a member in a secret group called Acción Comunal. He was not a founding member, but his access to the Palacio de las Garzas made him the key actor in the 1931 coup.¹³

b. Political experiences. After successful conduct of the coup in 1931, and his brother Harmodio's election as president in 1932, Arnulfo was assigned to Europe as a diplomat. He is known to have met with both Adolf Hitler and Benito Mussolini, and to have admired both. He drew on their political ideas to build his own Panameñista doctrine. It was with this background that Arnulfo Arias was elected president in 1940.¹⁴

b. Source of Legitimacy

In 1931, as a member of Acción Comunal and leader of the coup that overthrew the elected civilian government of Florencio Arosemena, Arnulfo Arias demonstrated that he believed that legitimacy could be based on charisma. While Florencio Arosemena's legitimacy was based on rational and traditional grounds, Arnulfo and the members of Acción Comunal made it clear that they did not want a leader who led legalistically, but a real leader. Arnulfo Arias lived his whole life

¹³See Linares, Ch. 16 for a discussion of the secretive intrigues of the Acción Comunal temple.

¹⁴Ronald H. McDonald and J. Mark Rulh, Party Politics and Elections in Latin America (Boulder: Westview Press, 1989) p. 240.

believing that he was that leader, that he was "El Hombre" (*"the Man"*).

As president on three occasions, Arnulfo combined his charismatic legitimacy with rational legitimacy. He was elected by majorities on at least three occasions. Some contend that he may also have been the actual winner of the 1964 and 1984 elections, but he was denied these victories through government fraud.

A demonstration of Arias's charisma is the level of support that he enjoyed. In 1940, after coming to the presidency Arnulfo Arias proposed a new constitution. The constitution contained his personal vision of Panamanian government and his political philosophy of Panameñismo. The document contained racist sections that denied Panamanian citizenship to Asians and West Indian Blacks. Despite the ideas that would be considered divisive in most cases, Arias was able to get nearly unanimous support for his new constitution.

Even Arias's natural opponents recognized his power as a charismatic leader. In November 1949, Police Commandant Remón invited Arias back to the presidency to claim the victory that he had originally been denied by Remón. Remón, however, overestimated his ability to control the situation and underestimated Arias's determination to gain real power.

Remón's decision to remove Arias came in May of 1951 and Arias resisted. In response to the National Police's messenger who proposed that Arias depart the palace, Arnulfo Arias killed the captain in cold blood in the presidential palace.

In 1968, once again the military leadership overestimated their ability to control Arnulfo Arias. While the press talked about the "new Arnulfo," the "old"

Arnulfo Arias prepared to challenge the National Guard. Upon assuming power on 1 October 1968, he immediately began a major reshuffling of the organization. It was this that caused Omar Torrijos and others to remove Arias in order to protect their institution.

Arnulfo Arias, as a charismatic leader, enjoyed a large a dedicated following in Panama for most of his life. That following now makes up the Arnulfista Party and a large part of the *civilista* movement. One writer described the 1994 election as a "race between two dead men." Arnulfo Arias was one of those dead men, a dead charismatic leader whose followers continue to affect national politics and whose now remarried widow--Mireya Moscoso de Gruber--was almost elected president in 1994.

c. The Foreign Policy of Panama Under Arnulfo Arias

(1) First Term, 1940-41. The movement in which Arnulfo Arias became politically active was clearly in favor of change in Panama and change in Panama's relation with the United States. It could be said that the 1936 Hull Alfaro Treaty, signed during the administration of Harmodio Arias, carried out some of this program. When Arnulfo Arias became president in 1940, his anti-American, anti-immigrant ideas were well developed. These ideas, which together form the Panamanist Doctrine (*La Doctrina Panameñista*), matured while Arnulfo was in the diplomatic service in 1930's Europe. His flirtation with fascism seemed to encourage his challenge to the United States. The most significant policy choice made by Arnulfo Arias came in August of 1941 when the U.S. government asked the Arias government to allow U.S.-owned, but Panamanian flagged, merchant vessels to be

armed for convoy duty. Arnulfo Arias refused.

Additionally, some interpreted the racist features of the implementation of the Arias constitution to be anti-American. While the constitution forbid immigration by all Asians and West Indian Blacks and did not allow for these foreigners to be merchants, the laws were selectively enforced. Chinese merchants--potential U.S. allies in the coming fight against Japan--were forced to close their stores. However, Japanese merchants were allowed to continue with business as normal throughout the Arias administration.¹⁵ It has been documented by Jules Dubois that these Japanese merchants, often barbers, were running a very large spy operation. Most of the barbers were actually Japanese Imperial Navy officers and they were known to conduct reconnaissance of the Canal and Canal Zone.¹⁶

(2) Second Term, 1949-51. These years are difficult to judge, because the real power in this period was Police Commandant Remón. Arias's overall emphasis was on establishment of domestic political power. Arias's rise to the presidency did cause problems for Washington. With the line of succession broken, there were initially no formal relations with the Arias government. The United States wanted to wait for the reaction of other regional governments. The United States finally recognized Arias after a dozen other states had done so. In announcing

¹⁵Some of the criticism suffered by Arnulfo Arias at the hands of U.S. authors is unfair considering the fact that U.S. immigration policy before and during World War II was highly restrictive and contained anti-Asian exclusionary rules.

¹⁶Jules Dubois, Danger Over Panama (Indianapolis: Dobbs-Merrill, 1964).

recognition, the State Department added that the recognition did not represent approval of the way Arias came to power. At the end of his rule, Arnulfo Arias began to stress the communist problem in Panama. Arias personally discussed the problem with his Chargé d'affaires in Washington, Guillermo Endara Paniza, and Endara in turn reported the issue to the press.¹⁷

(3) Third Term, 1-11 October 1968. Eleven days is not long enough to demonstrate any direction in foreign policy. However, it seemed clear from the inauguration that there was no "new Arnulfo." His speeches were filled with fiery, anti-American rhetoric.

Viewing Arnulfo Arias's specific actions as a politician and foreign policy-maker is helpful. Without such a detailed look, Arias is lost in myth and his virulent anti-Americanism is obscured by his and his disciples later being involved in the pro-democracy *civilista* movement. This could serve as a reminder that being anti-military in Panama does not necessarily equate to being pro-American.

2. José Antonio Remón Cantera

a. Psycho-political approach

(1) Personal History.

a. Biological factors. Born in 1908 in Panama City, Jose Remón was 39 years old when he became First Commandant of the National Police on

¹⁷New York Times, 10 May 1951, p. 5, cited in Larry L. Pippin, The Remón Era: An Analysis of a Decade of Events in Panama, 1947-1957 (Palo Alto: Stanford, 1964), p. 74.

14 February 1947 and 44 years old when he became president in 1952.¹⁸ Remón was only 47 when he was assassinated in 1955. Remón suffered from no known health problems. He was portly and certainly bordered on being overweight.¹⁹

b. Socio-psychological factors

(1) Social background. According to Larry Larae Pippin's account of Remón's background, the Remón family came to Panama in the early 19th century and "some members were recalled for their cultural zeal, welfare work, and interest in justice for the poor."²⁰ José was the sixth of seven children born to Alejandro Remón and María Cantera de Remón. José was nicknamed Chichi (baby face). The father, Alejandro, was an alcoholic and led his family to "the status of 'poor relatives' within the Remón clan."²¹ Alejandro died in 1914 and his widow María sewed in order to feed and clothe her children. José Antonio Remón attended public school in Panama City and graduated from the Instituto Nacional, the nation's most well-known public high school.²²

a. Acculturation and socialization. Upon graduation from high school, Remón worked in a pharmacy and later with a sugar company. His mother sensed that he was dissatisfied and envied his classmates who

¹⁸Pippin, p. 1.

¹⁹This observation is based on my reading of the photograph in Pippin, p. 107.

²⁰Pippin, p. 1.

²¹Ibid.

²²Ibid.

were going abroad to study. She discovered that the Mexican government was giving scholarships to the Academia Militar de México and sought successfully to win her son a place. Panamanian President Harmodio Florencio Arosemena gave José a grant to cover some of the out of pocket expenses. Little has been written about Remón's experience in Mexico. The program was a three year program of study and Remón finished third in his class.²³

Upon returning to Panama, Remón kept the rank of captain that he had been granted upon graduation in Mexico and was given the position "chief of the first section of the corps." Captain Remón seemed to thrive, demonstrating his highly disciplined training and pleasing his superiors. In 1935, Remón was dropped from the force. As a friend of the Diaz family, he was "closer to the political 'outs' than to the 'ins.'²⁴ Domingo Diaz was the opposition candidate in 1936, running against Harmodio Arias's hand picked successor--Demóstenes Arosemena. During this period (1935-40), Remón worked as circulation manager at the newspaper El Panamá-América and then purchased a service station.²⁵

Remón's reinstatement to the National Police came in 1940. He was immediately sent to Fort Riley, Kansas to attend a basic cavalry course. On returning to Panama on 9 October 1941, Remón was promoted to Lieutenant Colonel and made

²³Ibid.

²⁴Ibid., p. 2.

²⁵Ibid.

Second Commandant of the National Police.²⁶ During the war, Remón was instrumental in preparing Panama for the war effort and in building support for the United Nations cause. Colonel Remón headed Panama's "continental defense" effort by directing cadet battalions in the schools, a scouting organization, the national militias, the Red Cross, and the First Battalion of the Isthmus--a crack unit of 500 men based in Panama City.²⁷ Remón worked very closely with a U.S. Army liaison officer.

As Second Commandant, Remón came to outshine the First Commandant, Colonel Rogelio Fábrega. According to Remón's wife, the position of First Commandant was offered to Remón as early as 1945. Regardless, its seems that Fabrega's heavy drinking and the fact that he rarely came to headquarters, left Remón as "de facto First Commandant."²⁸ It was on February 14, 1947 that Remón actually received appointment as First Commandant.

(2) Personality Characteristics

a. Attitudinal patterns. Remón used his position as First Commandant to meet the needs of the National Police. Recognizing that his base of support was in the rank and file of the National Police, Remón took a personal interest in the personal welfare of his police officers.

Remón seemed to be pragmatic, instead of dogmatic. He approached problems logically, carefully considering the interest of the National Police and of himself. He

²⁶Ibid., p. 3.

²⁷Lawrence O. Ealy, The Republic of Panama in World Affairs, 1903-1950 (Westport, Conn.: Greenwood Press, 1951), p. 117.

²⁸Pippin, p. 5.

is said to have accumulated a multimillion dollar fortune during this period. He was involved in cattle, race horses, gasoline, and illegal drugs and was part-owner of a house of prostitution in Panama City.²⁹

b. Behavioral patterns. As First Commandant during the 1946 riots that occurred while the National Assembly was considering the Hines-Filos Treaty, the press attempted to pin the blame for alleged police brutality on Remón.³⁰ Remón was quick to deny any responsibility and announced that he deplored the "unpleasant incidents."³¹ He further pointed out that, as a police officer, he had simply followed the mayor's instructions. Other scapegoats included the Arias brothers and communist agitators.³²

Another demonstration of Remón's elusive behavior came in 1948. In the election, it appeared that Arnulfo Arias had won the polling--a result that was unacceptable to the opposing Diaz camp and to many in Panama who feared a return to rule by Arnulfo Arias. Violence became very heavy and the police had to step in to end the fighting. Then the police commandants, including Remón, and other prominent leaders met with incumbent Jiménez and insisted that he resign. The National Assembly took part by ramming through a resolution naming as president

²⁹Pippin, p. 8.

³⁰This agreement, which was not ratified by Panama, would have extended the World War II basing agreement and allowed the U.S. continued use of some bases outside of the Panama Canal Zone.

³¹Pippin, p. 17.

³²Ibid., p. 18.

Henrique de Obarrio, Remón's brother-in-law. During this whole series of events, Remón remained surprisingly aloof. The incumbent president Jiménez and the new pretender de Obarrio both claimed police support.³³ In fact, the police did cooperate with both sides. In the end, First Commandant Remón remained in support of the Jiménez government and the Jiménez government remained in power.³⁴ Why Remón did not continue with his initial intention to force Jiménez out of power cannot be clearly explained. It does seem clear that the real Remón fear was the election of Arnulfo Arias. It is likely that by agreeing to not allow Arias to be declared the winner that Jiménez regained the support of Remón and was able to finish his term as president. What is certain is that Remón did not want to end up on the wrong side. To accomplish this aim, he was perfectly willing to be on both sides in the conflict.

(2) Political History

a. Recruitment into political activity. Remón's choice to attend the military academy in Mexico was the beginning of his military and political career, these two careers being inseparable in Panama during his era. During World War II, Remón's actions as Second Commandant, above and beyond the call of duty, were essentially political in nature.

b. Political experiences. As a captain in the National Police, Remón suffered dismissal at the hands of the Arias brothers because of his friendship with the Diaz family. This forced him into the anti-Arias camp in the late

³³Ibid., pp. 24-5.

³⁴Ibid., p. 27.

1930's. As Second Commandant and First Commandant in the 1940's, Remón faced the challenge of social upheaval caused by the agitation of the Arias brothers and communists. From his political experiences, Remón recognized the importance of having friends in high places and the danger of having enemies, like Arnulfo Arias, in power.

A review of Remón's involvement in politics demonstrates a military officer who was increasingly involved and increasingly open about his power over political events in Panama. While Remón was content to pass off responsibility for his actions to the civilian authorities in 1946, by the time of the 1948 election he was willing to play a king-maker role behind the scenes. By 1950, when challenged by President Daniel Chánis, Jr, who requested Remón's resignation, Colonel Remón was no longer reserved about demonstrating his powers and the loyalty of his men and was quick to place a loyal vice president and cousin, Roberto F. Chiari Remón in power.³⁵

When faced with intransigence on the part of some in the Supreme Court and National Assembly to recognize his coup against Chánis, Remón took even more drastic action to publicly challenge his opposition. He threatened to place Arnulfo Arias Madrid in power, noting that it was actually Arias who had won the stolen election in 1948. Remón's opposition was shocked and refused to believe that the Commandant would actually go through with placing Arias in power. Remón apparently believed that he was in a strong enough position to protect his interests from Arias and that he could play the role of king-maker and ultimate arbiter of

³⁵Ibid., pp. 44-45.

Panamanian affairs.

This, of course, was not the case, as Arnulfo sought to establish himself as the real power. By unilaterally reinvoking the 1941 constitution, Arnulfo Arias began his fall from power. The Commandants and other Panamanians were concerned that Arias was the same as always -- power hungry. There was concern that Arias's constitution extended his rule by at least two years. This attempt by Arnulfo Arias to assert real power, directly challenged the role that the military had been playing in Panama since 1941, and forced Remón to act by removing Arias from power in May 1951.

b. Source of Legitimacy

It is difficult to label Remón as a charismatic leader. He was not known for his speeches and his followers did not adulate him as those of Torrijos or Arnulfo Arias did. There were, however, some charismatic features to Remón. He was able to gain influence and respect above his peers. He was able to outshine the Commandant to the point that he was viewed as the one actually in charge. His highly disciplined men stood by Remón even when directly challenged by sitting presidents.

The source of Remón's legitimacy appears to be partly explained by his charisma, but more explained by the tradition of the military playing a praetorian role in Panamanian society. This tradition was not an old one, but rather developed in the 1930's and was solidified in the 1940's as Remón's own career progressed. Remón's most important power was that of traditional authority over his men.

c. The Foreign Policy of Panama under José Remón

The Remón era can be divided into two parts: (1) Remón behind the scenes (1947-52); and (2) Remón as president (1952-55). The 1947-52 period is difficult to discuss because of the varying degree of power exercised by Remón on various issues. It was a case of rule by command override. Presidents were allowed to carry out their own policies until they conflicted with the personal interests of Colonel Remón or the institutional interests of the National Police/National Guard. In the area of foreign policy, the period was little activity. The bases fiasco with the United States had ended in December of 1947. During the negotiations Remón was blamed for a police attack on protestors--but in no way drove the National Assembly's consideration or rejection of the proposed treaty.³⁶

Under President Domingo Diaz (1948-49) Panama attempted to improve relations with the United States, calling for a return to the relations enjoyed during the construction era.³⁷ It was in 1948 that Panama and the United States began negotiating a commercial air agreement. Up until that time, Panama's international air traffick went through Albrook Air Base in the Canal Zone. The treaty, signed on 31 March 1949, effectively transferred international commercial air to Tocumen International Airport. This opened a new era in Panama-U.S. relations and brought new feelers from Panama for reopening base negotiations.³⁸ These feelers went unanswered.

³⁶See Pippin, Ch. 2.

³⁷Ibid., p. 29.

³⁸Ibid., p. 36.

Once in the presidency, Remón took a more active interest in foreign affairs. He did seek--like most Panamanian leaders between 1920 and 1979--a change in the U.S.-Panamanian relationship. However, the changes proposed by Remón were moderate and not hostile to U.S. interests. In building support for a new agreement with President Dwight D. Eisenhower (1953-61), Remón made a now famous speech saying that he was asking for "neither millions nor alms, we want justice" ("*ni millones ni limosnas, queremos justicia*") from the United States.³⁹

Remón's desires were put into a joint Remón-Eisenhower letter while Remón was in Washington in October 1953. The basics were:

1. There should be an equitable benefiting of the two nations which made possible the construction of a canal as well as enabling of the commerce and industry of Panama to take advantage of the market offered by the Canal Zone and by the ships transitting the Canal.
2. The principle of equality of opportunity and treatment must have full effect in regard to the citizens of Panama and the United States employed in the Canal Zone as set forth in the exchanges of notes of March 2, 1936 on this subject.
3. The advisability of giving due consideration, in the cases of lands granted in the past for canal purposes which are no longer needed for such purposes, in order that arrangements may be agreed upon for the transfer of these lands to the Republic of Panama.⁴⁰

This was later agreed upon in treaty negotiations. The Remón-Eisenhower Treaty was finalized in December 1954 and was ratified after Remón's death.⁴¹ This agreement slowed further calls for a change in the U.S.-Panamanian relationship for

³⁹Ibid., p. 106.

⁴⁰Ibid., p. 110.

⁴¹Ibid., p. 118.

several years. To summarize Remón's foreign policy towards the United States: He was pragmatic and evolutionary, as opposed to revolutionary. His approach was straight-forward, as he went to Washington and asked for justice.

3. Omar Torrijos Herrera

a. Psycho-political approach

(1) Personal History

a. Biological factors. Born on 13 February 1929, Omar Torrijos was 39 years old when he participated in the overthrow of Arnulfo Arias in October of 1968. He was in power until his death in a plane crash at age 52. In effect, Omar Torrijos was in power during the prime of his life. Torrijos was fit with no known major health problems. He did enjoy smoking cohiba cigars and consuming excessive alcohol on occasion.

b. Socio-psychological factors

(1) Social background. Omar Torrijos was a product of Panama's rural middle class. Both of his parents were school teachers in Santiago, the capital of the Veraguas Province. Young Omar did not want a career in teaching, but rather chose the military. It should be noted that when Torrijos chose his career path in the late 1940's, the Panamanian military was at the height of its power under the leadership of Colonel José Remón.⁴²

a. Acculturation and socialization.

Torrijos's entry into the National Guard was via the military academy of El Salvador.

⁴²Current Biography 1973 (New York: The H.W. Wilson Company, 1973), p. 418.

This institution, located in San Salvador, had strong German and Chilean influences and emphasized a Prussian-style military discipline that was rare in the Panamanian National Guard.⁴³

After graduation from the military academy and commissioning as a second lieutenant in the National Guard, Torrijos received additional training in Venezuela and in the United States. In the 1960's, Torrijos attended U.S. military schools in the U.S. Canal Zone: counter-insurgency (1962, 1963), motor vehicle maintenance (1964), and military administration (1966). It has been suggested that the U.S. training influenced Torrijos's later thinking greatly. While the United States was encouraging nation-building and social action programs as a means of countering insurgencies, Torrijos later used the same type of social-oriented programs to win support for himself and the National Guard.

(2) Personality Characteristics

a. Attitudinal patterns. Describing the attitudinal patterns of Omar Torrijos, it must first be pointed out that there was no pattern. Omar Torrijos was many things to many people. He was both idealistic and pragmatic. On average, he was not as dogmatic as Arnulfo Arias but he did have his moments of seeming irrationality.

Torrijos was intensely loyal to those who supported him, especially those who supported him during the 1969 coup attempt. Manuel Noriega was one officer that

⁴³For one of the best works on the role of European military missions in Latin America see: Brian Loveman and Thomas M. Davies, Jr., eds., The Politics of Antipolitics: The Military in Latin America (Lincoln: University of Nebraska Press, 1978).

supported Torrijos early on and was rewarded. Torrijos came to Noriega's rescue on many subsequent occasions.

b. Behavioral patterns. Torrijos was not always logical and reasonable. A good example of this is the incident described by Ambassador William Jorden: when Torrijos announced the ratification of the Panama Canal Treaties, he went on to say that had the treaties not been passed that Panama would have taken immediate military action against the Canal. This was a threat which Ambassador Jorden took seriously.⁴⁴ It could be said that Torrijos was reasonable and pragmatic, but he was susceptible to irrational flights of fancy that he later regretted.

(2) Political History

a. Recruitment into political activity. The first inherently political act for Omar Torrijos was the coup of 1968. Earlier that year, Torrijos had taken part in repression against Arnulfo Arias and his supporters who were threatening a civilian coup against the outgoing government. As the new Commandant in 1968, Omar Torrijos faced an immediate threat from Arias--a threat to the National Guard as an institution. As Arias began to gut the National Guard and Torrijos was given word to prepare for an assignment to the Central American Defense Board in El Salvador, Torrijos and others decided to act.⁴⁵

b. Political experiences. It was 1969 when Torrijos

⁴⁴William J. Jorden, Panama Odyssey (Austin: University of Texas Press, 1984), p. 329.

⁴⁵Current Biography 1973, p. 418.

became the clear leader of the so-called "Panamanian Revolution." Fellow National Guard officers attempted a barracks coup while Torrijos was in Mexico City and Torrijos was forced to return to take firm control of Panama and to recognize the treacherous water of politics internal to the National Guard. Staying in power and knowing who was loyal was thus a preoccupation after 1969.

b. Source of Legitimacy

Torrijos was one of Panama's most charismatic leaders. As a military leader he was not afraid of democracy. In fact, during his era it has been pointed out that popular participation in Panama actually increased.⁴⁶ According to the account of Ambassador Jorden, many U.S. Senators who visited with General Torrijos during the process of treaty ratification in 1977-79 were surprised at the way Torrijos interacted with the Panamanian people. His town meetings, where people really did speak their minds, and his visits to rural villages, where he heard the concerns of the rural population, were impressive and made the Panamanian system under Torrijos seem (to some leftist observers) more democratic than the U.S. system. Even the Senators were influenced by Torrijos's charisma.

Since his death in 1981, Torrijos has been elevated to a mythical status. The various versions of his death are similar to the hypothesizing that has occurred in the

⁴⁶The best study of Torrijos Era Democracy in Panama is George Priestly's Military Government and Popular Participation in Panama: The Torrijos Regime, 1968-1975 (Boulder: Westview Press, 1986). It has to be noted, however, that while there was more popular participation in Panama during this period, that this participation meant less. The fact that Torrijos was a dictator--although a popular one--seems to get lost in Priestly's study and in many analysis of Torrijos.

United States about the assassination of John F. Kennedy. Considering the fact that Torrijos was carrying out a process of democratization and demilitarization when he died, many have posed questions about how the 1980's might have been different had Torrijos lived. There is the argument that had Torrijos lived, Noriega would have never come to power, and Panama's "lost decade" of the 1980's might have never occurred. In this sense, Torrijos is a character similar to Abraham Lincoln--someone who was not around during an important transition--and we are only left to wonder what might have been. Nevertheless, the legend of Torrijos seems to have developed into a permanent part of Panama's political heritage.

c. The Foreign Policy of Panama Under Omar Torrijos

During the first three years of military rule in Panama (1968-71), there was little indication of a desire by the Torrijos regime to change the course of Panamanian foreign policy. There was the lingering desire of almost all segments in Panama to renegotiate the bilateral relationship with the United States vis-à-vis the Panama Canal Zone. This lingering desire was not unique to Torrijos, but rather inherited from the government of President Marco Robles (1964-68). The treaties that were negotiated subsequent to the 1964 Flag Riots had been shelved in 1967 and one option was to revisit and ratify those documents. Torrijos, however, used the issue for populist ends, and argued that the 1967 treaties had been negotiated by the oligarchy and that he wanted to negotiate new and more legitimate treaties for the Panamanian people.

By September 1970, the Panamanian government had decided that the 1967 agreements were unacceptable and Torrijos made the goal of reaching a new

agreement public.⁴⁷ Torrijos wanted the nations' presidents to come to an agreement: "If there is a real political understanding, the technicians can work out the details, but if there is no basic agreement on issues it is dangerous to reopen negotiations."⁴⁸

The political understanding that Torrijos wanted was not forthcoming and in late 1971 and early 1972 Panama somewhat reluctantly shifted from a policy of cooperation to one of confrontation. In October of 1971 the issue of the Canal Zone was raised by Panama at the United Nations; this was the first mention of the enclave since the 1964 Flag Riots.⁴⁹

Torrijos was most brilliant domestically. To many American policy-makers he seemed to be holding back an angry Panamanian mob, while in reality he clearly recognized the utility of threatening a repeat of the 1964 Flag Riots. In a speech on 11 October 1971 at a celebration--called a "rendezvous with destiny"-- to mark three years of the Panamanian Revolution, Torrijos made this statement, clearly aimed for consumption in Washington and in the Canal Zone:

Our enemies want us to march on the Zone today. When all hope is lost of removing this Colonial enclave, Omar Torrijos will come to this square to tell you, "Let's advance." Omar Torrijos will accompany you and the 6,000 rifles of the National Guard will be there to defend the integrity and dignity of

⁴⁷Margaret E. Scranton, Changing United States Foreign Policy: Negotiating New Panama Canal Treaties, 1958-1978 (Pittsburg, Penn.: University of Pittsburg PH.D. Dissertation, 1980), pp. 288-9.

⁴⁸New York Times, 3 September 1970, p. 11 cited in Scranton, 1980, p. 289.

⁴⁹Scranton, 1980, pp. 342-43.

the people. But today we are not going to the Zone.⁵⁰

Throughout the process of treaty negotiation, Torrijos and the other top Panamanians involved understood clearly that they could succeed through personal interactions and friendship, and by invoking the threat that the Panamanian people would only wait so long before taking violent action. The capabilities of the Panamanians to conduct violent attacks was demonstrated on many occasions. The U.S. embassy was attacked and damaged on several occasions. At the same time, the polished, seemingly pro-American, and English-fluent Panamanian negotiators made their case with Teflon-like isolation from the anti-American violence in Panama City and the anti-American diplomatic efforts internationally.

To suggest that Torrijos was behind the whole plan to bring American capitulation on the Canal might be overestimating his leadership, but the results were impressive. As Robert Pastor wrote, "Few leaders in the region acted more independently than he did, and none was better at handling the United States."⁵¹ In the end, Torrijos was successful in gaining a new treaty relationship with the United States. His behavior as the guiding hand behind 1970's Panamanian foreign policy towards the United States, suggests real genius. He was essentially able to defeat the United States at the negotiating table, but leave American negotiators feeling that they

⁵⁰New York Times, 17 October 1971, IV, p.6, cited in Scranton, 1980, p. 343.

⁵¹Robert A. Pastor, Whirlpool: U.S. Foreign Policy toward Latin America and the Caribbean (Princeton: Princeton University press, 1992), p. 5

had a friend in Panama's Omar Torrijos.⁵²

4. Manuel Antonio Noriega

a. Psycho-political approach

(1) Personal History

a. Biological factors. Manuel Antonio Noriega Moreno

was born on 11 February 1934 in Panama City.⁵³ He was 49 years old when he became head of the Panamanian Defense Forces in 1983 and 55 when he was ousted from power in 1989. He is known to suffer from migraines.⁵⁴ His problem with acne is so severe that it is the source of his derisive nickname "Pineapple Face" (*Cara de Piña*).

b. Socio-psychological factors

(1) Social background. Manuel Noriega was born

and raised at the lowest stratum of Panamanian society in the community of Terraplén. Terraplén, located in the old section of Panama City, is close to the former Canal Zone and has traditionally been home to unskilled Canal Zone workers and more recently descendants of West Indian Canal Zone workers. It was in this rough climate

⁵²Some would argue with my statement that Torrijos was able to "defeat" the U.S. at the negotiating table, but I believe the term is applicable. While some point out that the United States gained the rights to base troops in Panama until 31 December 1999, to operate the Panama Canal, and to defend the neutrality of the Canal in the future--these treaty gains are not new rights for the United States, but rather restrictions on existing rights and agreements.

⁵³Frederick Kempe, Divorcing the Dictator: America's Bungled Affair with Noriega (New York: G.P. Putnam's Sons, 1990), p. 37.

⁵⁴*Ibid.*, p. 2

near Panama City's old market that the young, fatherless Manuel Noriega was an orphan by age five. After contracting tuberculosis, Noriega's mother returned to her home in the Darien Province and died. She left young Manuel with his godmother, Luisa Sanchez.⁵⁵

Noriega's real father, Ricaurte Tomás Noriega, is described by author Frederick Kempe as "philandering and alcoholic."⁵⁶ He was a lower middle class civil servant who eventually drank himself onto the disability rolls. Noriega's mother was working as a cook for Ricaurte Tomás when she became pregnant. While not all of the facts about Noriega's childhood and background are known or agreed upon, what is clear is that Noriega was clearly bothered by his own past--so much in fact that he ordered that all references to his youth be classified as "Top Secret."⁵⁷ For populist reasons he did point out his humble origins on his own terms and commissioned a small book to be published about himself titled *El Criollo de Terraplén* (The Creole of Terraplén).⁵⁸

a. Acculturation and socialization.

Growing up on the streets of Chorrillo, young Noriega's poverty did not stand out but rather equalled that of almost every one else. As he worked the streets selling newspapers, he was able to observe how the powerful in Panama worked and lived. He lived relatively close to the Palacio de las Garzas, the Club Unión, and the

⁵⁵Kempe, pp. 37-39.

⁵⁶Ibid., p. 37.

⁵⁷Ibid., p. 38.

⁵⁸John Dinges, Our Man in Panama (New York: Random House, 1990), p. 31.

National Guard Headquarters.⁵⁹ By the time Noriega was a teenager, he carried a small pistol for self protection.⁶⁰ Noriega's godmother, who raised him and who he called Mama Luisa, taught school and instilled in Noriega the desire to read. Noriega eventually studied at the Instituto Nacional. He was remembered as being above average, but not brilliant.⁶¹

(2) Personality Characteristics

a. Attitudinal patterns. Noriega grew up despising the Panamanian oligarchy and the Americans. He resented their wealth and his poverty. As a stone-throwing activist in his student days, Noriega developed a leftist view of the world. Ultimately, however, this view did not provide any future for Noriega.

It was during his time working at the Santo Tomás hospital, with little hope of a better life, that Noriega decided to opt for a military career. It was his only option for advancement. His relationship with U.S. intelligence provided more opportunity. Far from the leftist medical doctor that Noriega had wanted to be, he developed into everything that he had despised in his student days. He chose for his mascot the toad (*el sapo*), which in Panamanian slang means "informer."

b. Behavioral patterns. Noriega was cunning and has been compared by some to J. Edgar Hoover. He remembered useful

⁵⁹Ibid., p. 31.

⁶⁰Ibid., p. 32.

⁶¹Kempe, p. 39.

information for later use. In his personal life he was often reckless. He was known to have raped a prostitute while a cadet in Peru.⁶² After returning to Panama, Noriega was involved in a similar incident in Colón, but was rescued from serious discipline by Torrijos.⁶³

(2) Political History

a. Recruitment into political activity. It was during high school that Noriega met his half-brother Luis Carlos Noriega Hurtado. Luis Carlos did not know that Manuel existed, but they discovered each other through a mutual friend. It was Luis Carlos that introduced Manuel to student politics. Luis Carlos, who was shunned by his own family because of his homosexuality, was the leader of the socialist student movement at the Instituto Nacional.⁶⁴ Manuel was elected in 1949-50 to the National Congress of Students with the help of Luis Carlos and friends, Jorge Illueca and Rómulo Escobar Bethancourt. The vote was likely rigged.⁶⁵

By the time, Manuel Noriega graduated from high school, he had participated in protests against the National Guard and could have been considered an activist. In his high school yearbook, he wrote an essay on the peasantry and on how agrarian discontent could turn into revolution.⁶⁶ According to Pedro Brín who knew Noriega at

⁶²Ibid., pp. 47-8.

⁶³Dinges, p. 37.

⁶⁴Kempe, p. 40.

⁶⁵Ibid., p. 41.

⁶⁶Ibid., p. 42.

the time, "He was the anti-military prototype."⁶⁷

Upon graduation in 1953, the young, leftist Noriega had no place to go. He had wanted to be a psychiatrist or medical doctor--like Arnulfo Arias--but could not afford medical school.⁶⁸ While taking occasional night courses at the University of Panama, Noriega worked in the Santo Tomás hospital in the pharmacy.⁶⁹ When he found out that his acquaintance from high school, Boris Maritínez, had a military scholarship to the Mexican military academy, Noriega grew interested in a military scholarship as an escape from his dead end job at Santo Tomás. His half-brother Luis Carlos had recently been assigned to the Panamanian embassy in Lima, and so it was to him that Manuel made his appeal. There were two slots in the Peruvian academy for Panamanians, but both had been filled and Manuel was already too old. Luis Carlos, however, sympathized with his half-brother and eventually agreed to falsify Manuel's age and to find him a sponsor important enough to edge out one of the other candidates. The sponsor found by Luis Carlos was Aquilino Boyd, the Panamanian foreign minister, who had been a friend of Luis Carlos at the university. Boyd's letter of support guaranteed Manuel a place in the Peruvian Military Academy.⁷⁰

It was at the Peruvian Military Academy that Noriega developed his

⁶⁷Ibid., p. 45.

⁶⁸Kempe points out that Noriega had gone to the streets in 1951 to throw stones at the military when Colonel Remón had ousted President Arnulfo Arias. See Kempe, p. 49.

⁶⁹Ibid. , p. 49.

⁷⁰Ibid., p. 50.

relationship with U.S. intelligence.⁷¹ According to Kempe, this was accomplished through Luis Carlos, who offered Manuel to the station chief and to the military attaché.⁷² At the academy, Manuel Noriega provided U.S. intelligence on future coup makers and, in the words of Kempe, "fed the giant maw in Langley that couldn't get enough data on Latin Communists."⁷³ In Peru, Noriega's military scholarship, his half-brother's connections, and the spending money from U.S. intelligence opened up a whole new world.

b. Political experiences. It was the relationship with Torrijos that was most important to Noriega's rise to power. In 1964, Torrijos was given the unsavory task of roughing up the Arnulfistas in Chiriquí. He passed the task on to Noriega, who approached this assignment with a vengeance, and attacked many mainstream citizens. Reports of torture and rape led to Noriega being relieved of duty for ten days. By 1967, Noriega was the head of intelligence in Panama's north zone. The military coup of 1968 offered Noriega a new opportunity, as chief of intelligence in the area where Arnulfo Arias enjoyed a large base of support. It was only at this point that Noriega was promoted to captain.

Noriega's relationship with Torrijos was solidified in 1969, when an attempted barracks coups against Torrijos was attempted. Noriega remained loyal to Torrijos and

⁷¹Seymour Hersh believes that the U.S. intelligence relationship with Noriega began when Noriega was a student at the Instituto Nacional. See Hersh, p. 83.

⁷²Kempe, p. 51.

⁷³Ibid., p. 51.

provided him a base of support within the National Guard from which to reestablish authority and successfully challenge the coup.⁷⁴ By August of 1970, Noriega was a Lieutenant Colonel and the commander of the National Guard's G-2. By the late 1970's Noriega was known as the most feared man in Panama.⁷⁵

It was the death of Torrijos in 1981 that facilitated Noriega's rise to the top of the National Guard. There were several officers senior to Noriega and they were eliminated one by one until Noriega was made Commander of the Defense Forces on 12 August 1983. In toasting his predecessor, Colonel Rubén Darío Paredes, Noriega offered a paratrooper's toast, "*Buen salto, Rubén*" (Good Jump, Rubén).⁷⁶ Noriega soon reversed his pledge to help Paredes to the presidency, and the powerless Paredes faded from the scene, only to say in 1989: "Power in Panama is like a viper. You have to let go very cautiously...or it will bite you."⁷⁷ Noriega obviously understood this lesson very well.

It was as head of the Panamanian Defense Forces that Noriega carried his actions to an extreme. The political killing of Dr. Hugo Spadafora in 1985 and continued involvement in drug trafficking brought condemnation from the opposition and from the U.S. Congress.⁷⁸ This put pressure on the Reagan and Bush administrations to break with Noriega. Noriega was being paid "upwards of \$100,000"

⁷⁴Dinges, pp. 46-7.

⁷⁵1988 Current Biography Yearbook, p. 429.

⁷⁶Kempe, p. 117.

⁷⁷Ibid., p. 113.

⁷⁸1988 Current Biography Yearbook, p. 429.

per year by the CIA.⁷⁹ The indictment of Noriega in 1987 brought a change in Noriega's politics, it was only then that he seriously used anti-U.S. rhetoric and nationalism to attempt to build support for his cause. It was in defending himself from U.S. charges that he literally raised his machete publicly in defiance. He stated in late 1987, "When the Americans need something, they picture it very nicely and say you're a hero, but when they don't need you anymore, they forget you."⁸⁰

b. Source of Legitimacy

Noriega's rule was not based on charisma, but rather on fear. By late 1988, he had lost virtually all public support. His source of legitimacy appears to have been more close to Weber's concept of "traditional" legitimacy, in that he succeeded into an established role as military strongman. Had it not been for Torrijos to establish the position and role, neither Noriega nor Paredes could have ever served as such. They did not and could not create the position, they simply filled it poorly.

While Panama's charismatic leaders, Arnulfo Arias and Omar Torrijos, could fill the streets with supporters, Noriega had no such appeal. He had to depend on his thugs and paid henchmen, who acted out of fear or for personal reward, and not out of any sense of idealism or personal loyalty.

c. The Foreign Policy of Panama under Manuel Noriega

Under Noriega, Panama did not attempt to remake Panamanian-U.S. relations. In the wake of the Carter-Torrijos treaties, Panama was basically satisfied

⁷⁹Hersh, p. 87.

⁸⁰Washington Post, 11 October 1987, cited in 1988 Current Biography Yearbook, p. 430.

and Noriega and his cronies were content to share the spoils of returned properties that were being turned over to Panama by the U.S. government. Publicly, Noriega basically did what the U.S. asked--he assisted Oliver North in arming the contras and symbolically helped the Drug Enforcement Administration (DEA) in the war on drugs.⁸¹

It was what Noriega did domestically and in his private business dealings that brought a failure in his relationship with the United States. His political repression and his involvement with Colombian cartels could not be tolerated by the United States in the second half of the 1980's.

In the final analysis, Noriega is unique among Panamanian leaders. He wanted no change in the relationship between Panama and the United States, but the relationship was so bad that it eventually brought on Operation Just Cause and sent Noriega to prison.

5. Guillermo Endara Galimany

a. Psycho-political approach

(1) Personal History

a. Biological factors. Guillermo Endara Galimany, the president of Panama from 20 December 1989 to 1 October 1994 was born 12 May 1936 in Panama City to Guillermo Endara Paniza and Elsa Galimany de Endara.⁸² He was 53 years old when he assumed the presidency and 58 when he turned power

⁸¹Kempe, p. 161.

⁸²1991 Current Biography Yearbook, p. 199.

over to his elected successor. Endara is of European ancestry and weighs a hefty 245 pounds. His nickname is "pan de dulce" (sweet bread).⁸³

b. Socio-psychological factors

(1) Social background

a. Acculturation and socialization. Endara was known for being a bright student and attended secondary school in Argentina and a military academy in Los Angeles, California. He attended the University of Panama and graduated at the head of his law class. He returned to the United States and continued his law studies at New York University. After completing education in New York, he returned to Panama in 1963. As a founding partner in the law firm of Solis, Endara, Delgado, and Guevara, Endara specialized in labor law.⁸⁴

(2) Personality Characteristics

a. Attitudinal patterns. Endara has consistently shown himself to be an idealist--in going to jail in 1971 for political reasons, in running for president in 1989 out of a sense of duty to his mentor Arnulfo Arias, and in maintaining his presidency and policies with little domestic support from 1990 until 1994.

b. Behavioral patterns. He is the type of person who carries out his responsibilities. He never attempted to create a legacy of

⁸³Ibid., pp. 199 and 202.

⁸⁴Ibid.

his own, but only to maintain the legacy of Arnulfo Arias. It was Endara's idealism that gave him courage to stand up to the military. One U.S. government official pointed out, "Nobody doubts his courage, but it's a lot easier to get yourself beaten up than to put a country together from scratch."⁸⁵

(2) Political History

a. Recruitment into political activity. In the political arena, Endara became a fervent supporter of Arnulfo Arias--reflecting his father's political stands. The elder Endara had been Arnulfo Arias's Chargé d'affaires in Washington D.C. during Arias's second term, 1949-51.⁸⁶ The younger Endara served twice in the National Assembly as a member of the Arias-led opposition. In 1968, when Arias returned to power as the elected president, Endara became Planning and Economic Minister and served until the coup eleven days later. After the coup, Endara went into hiding. He was captured by the military regime in 1971 and spent a short time in jail.⁸⁷

b. Political experiences. During the Panamanian *abertura*, after 1978, Endara helped Arnulfo Arias to rebuild the organized opposition to the Torrijos regime.⁸⁸ He served as the movement's spokesman until Arias's death in 1988. Initially, following the death of Arnulfo Arias, Endara held control of the

⁸⁵1991 Current Biography Yearbook, p. 201.

⁸⁶Pippin, p. 74.

⁸⁷*Ibid.*, p. 200.

⁸⁸During the Panamanian *abertura* (opening), from about 1978 to 1981, General Torrijos allowed for the creation of political parties and began a process of redemocratization.

Panameñistas. However, he soon lost control to Hildebrando Nicosia. Endara then became leader of the Liberal Authentic Party.⁸⁹

Endara was chosen as the opposition's candidate in the 1989 presidential election as a result of a political compromise. Endara's strength was not in any personal trait or political power, but in the fact that he was close to Arnulfo Arias and relatively non-controversial. It was with some reluctance that Endara accepted the nomination of the *civilista* coalition. On his selection Endara said, "I'm not an Orientalist, I'm not a Buddhist...But I've read books, and I learned that karma was something you have to accept. I was surprised, but I felt an obligation to do my best, to finish the work of my teacher, my maestro, my mentor."⁹⁰ His reference, of course, was to Arias.

b. Source of Legitimacy

La Prensa reporter Sánchez Borbón said of Endara in 1990, "I think he is a good choice. He's a very humble man, very placid--anything but charismatic. But he may surprise people."⁹¹ Endara's source of legitimacy as leader was rational. He was not charismatic and did not assume leadership as successor to Noriega on traditional grounds, rather Endara's only source of legitimacy was the fact that he was the winner of the 1989 election. His victory of 74.2 percent was announced by the Catholic Church immediately following the vote and ratified by the Electoral Tribunal

⁸⁹Ibid.

⁹⁰Endara to David E. Pitt of the New York Times, cited in 1991 Current Biography Yearbook, p. 200.

⁹¹1991 Current Biography Yearbook, p. 199.

after the U.S. invasion.⁹²

c. The Foreign Policy of Panama Under Guillermo Endara

Endara's relationship with the United States was a love-hate relationship. He recognized before Operation Just Cause that military action might be necessary to remove the Noriega regime, but did not encourage such action. After Operation Just Cause, he was beholden to the United States for placing him in power and dependent on U.S. assistance in rebuilding Panama. Nonetheless, similar to his mentor Arnulfo Arias, Endara never enjoyed his relationship with the United States and regretted the necessity of U.S. military action.

Endara, like Noriega, was not revisionist with regards to the Carter-Torrijos treaties. During the campaign in 1989, he stated:

We have no plans or interest in amending the current Panama Canal Treaties. When the treaties were introduced in 1977, we pointed out things in the treaties that we found objectionable. We even asked people to vote against those treaties. However, now that they have been approved, now that they have been ratified, they constitute law for Panama and the United States. We, on behalf of Panama, will abide by all the treaties' clauses. Moreover, we will demand that the United States do the same. We have no plans to amend those treaties. They will remain as the are.⁹³

This stand was maintained throughout the Endara administration. Any suggestion that Panama extend the U.S. presence in Panama was met with an Endara refusal to enter into discussions on the subject.

⁹²EFE 1018 GMT, 9 May 1989, FBIS.

⁹³Panama City Telecinco Television, "Endara Says If Elected, Treaties Will Remain," FBIS Latin America Daily Report, 20 April 1989, p. 24.

The main issues of contention between the United States and Endara were drug trafficking and money laundering. Endara's law firm had long been rumored to have been involved in money laundering. Endara admitted that some of the firm's clients could have been involved in drug trafficking or money laundering, but insisted that he never knowingly represented a client involved in such.⁹⁴ These allegations were problematic for the U.S.-Panamanian relationship, as many U.S. reporters drew the conclusion that nothing had changed after Operation Just Cause. By 1993, such rumors gave way to official U.S. government complaints, and reports that the U.S. government was distancing itself from the "scandal-plagued" Endara government.⁹⁵ Warren Christopher, shortly before becoming Secretary of State, testified before the Senate Foreign Relations Committee that despite Operation Just Cause, the situation in Panama "is not much better."⁹⁶

Putting more pressure on Endara, was the discussion in Miami that defense attorneys in a drug case planned to call Endara and one of his law partners to testify about their relationship with accused drug traffickers Augusto Falcon and Salvador Maguluta. Endara insisted that he had not been aware of his clients' activities when he and his partner set up five companies for them in Panama that were subsequently used for money laundering. The U.S. Ambassador to Panama was, however, not

⁹⁴1991 Current Biography Yearbook, p. 199.

⁹⁵Tod Robertson, "U.S. Sounds Alarm on Drug-Linked Corruption in Panama--Again," Washington Post, 31 January 1993, p. A-20.

⁹⁶Ibid.

forgiving and stated that "Failing to check client credentials may not be illegal, but now that the corrupting criminal threat is widely perceived, such neglect is at best irresponsible and immoral...Know your client."⁹⁷

6. Ernesto Pérez Balladares

This section, on President Pérez Balladares, is longer than those preceding because it is the current and future foreign policy behavior of Pérez Balladares that this thesis centers around. While preliminary analysis is carried out, it should be used very carefully. President Pérez Balladares is just beginning his term. While the other national leaders were viewed historically, this sketch is predictive with a heavy emphasis on current events and stated--but not yet implemented--policy. The overall theme of this sketch is positive and predicts that Panamanian-U.S. relations under Pérez Balladares may be the best relations enjoyed by the two nations under any of the leaders covered by this chapter. These relations, however, could sour and this chapter could become overcome by events by 1999. Only time will tell.

a. Psycho-political approach

(1) Personal History

a. Biological factors. Ernesto Pérez Balladares was born on 29 June 1946 and was 48 years old upon assuming the presidency.⁹⁸ He is tall and stocky and of European descent.

b. Socio-psychological factors

⁹⁷Ibid.

⁹⁸La Estrella de Panamá, 8 February 1994, p. A-2, FBIS.

(1) Social background. Pérez Balladares comes from a privileged background. He was born in Panama City to Dr. Ernesto Pérez Balladares (a medical doctor) and María Enriqueta González Revilla de Pérez Balladares. He attended secondary school in David, Chiriquí at the Colegio San Vicente de Paul. He then went to the University of Notre Dame where he earned a Bachelor of Science degree in Business Administration in 1967 and completed postgraduate studies in economics in 1969. He also attended the Wharton School of Business at the University of Pennsylvania and earned an Master of Business Administration degree.⁹⁹

(2) Personality Characteristics

a. Attitudinal patterns. Pérez Balladares, once committed to a cause, is loyal until the bitter end. He is basically pragmatic. He is decisive and willing to take charge like no Panamanian leader since Torrijos. His nickname "Toro" (Bull) might prove insightful into his character. His style and nickname are certainly in sharp contrast to "Sweetbread" Endara. Unlike others who have fallen accidentally into leadership positions, Pérez Balladares has known all of his life that he wanted to be president.¹⁰⁰ In the first weeks of his presidency the magazine *Vistazo* complained that the Pérez Balladares administration was "*Energía sin Cortesía*" (Energy without Courtesy):

⁹⁹El Panamá-América, Elecciones '94 (supplement), "Candidatos A La Presidencia En Las Elecciones de 1994" 8 May 1994, p. 6

¹⁰⁰Herasto Reyes, "Presidente Electo de Panamá: Ernesto Pérez Balladares," La Prensa, 15 May 1994.

Very rapidly passed the days of wine and roses. The governmental decision to take decisions "yesterday," immediately, without doubt nor vacillation, that confronted of every type. Chancellor Lewis Galindo, reflecting the energy of control of the government of Pérez Balladares, expressed: "No one can accuse this government of not doing things, but of doing things whatever the cost."¹⁰¹

b. Behavioral patterns. Pérez Balladares is a pragmatist. He is a respectable member of Panamanian society who has demonstrated a high degree of loyalty to those he has chosen to follow, to General Omar Torrijos for example. He has also demonstrated a great deal of loyalty to his party, the PRD. He remained loyal to his party during the fraudulent election in 1989 when he managed the candidacy of Carlos Duque--Noriega's hand-picked candidate--and even after the U.S. invasion of Panama. Pérez Balladares remained with his party and informed Endara in January of 1990 that he and the PRD would be in the opposition.¹⁰²

Pérez Balladares proved himself, during the 1994 electoral season, to be thoughtful and logical. His speeches were often conciliatory in tone, but he did react harshly when criticized for having been an insider in the Noriega regime. An example of such a reaction was the PRD news conference following the use of the national television channel (*Cadena Nacional*) to air a film on Noriega-era atrocities. The film included a photo of Pérez Balladares. He, as would be expected, condemned Endara's

¹⁰¹Vistazo, "Los Primeros 30 Días de Gobierno: Energía Sin Cortesía," No. 23, October, 1994, p. 4.

¹⁰²Panama City TVN Television Network, 0123 GMT, 12 May 1994, FBIS Latin America Daily Report, 15 May 1994, p. 30, FBIS.

use of the presidency to influence the election and filed an official protest.¹⁰³

(3) Political History

a. Recruitment into Political Activity.

Upon returning to Panama in the late 1960's, Pérez Balladares took his place among Panama City's businessmen. He was a manager with Citibank in the capital. By 1975 he had joined the Torrijos government, where he served in 1975 and 1976 on a legislation commission, from 1976 until 1981 as the Minister of Agriculture and Treasury, and from 1981 to 1982 as Minister of Planning and Political Economy. In 1983, Pérez Balladares became director of the *Instituto Nacional de Recursos Hidrolicos y Electricos (IRHE)*--the state-owned national water and electric company. In addition to serving on a variety of boards, he was also a founding member of the PRD and worked with the Panamanian negotiating team on the Carter-Torrijos treaties.¹⁰⁴

Pérez Balladares is very proud of his service in the Torrijos government and his presence at the creation of the PRD. The pragmatism of Pérez Balladares's calculated rise to the presidency can be seen. He was no wide-eyed idealist member of the Torrijos team, nor a blind supporter of Noriega. Rather, Pérez Balladares has, through the years, done what was best for his own advancement. During the 1970's, this meant supporting General Omar Torrijos, in the 1980's this meant being loyal to General Manuel Noriega.

¹⁰³La Estrella de Panamá, 15 April 1994, p. 1.

¹⁰⁴*Ibid.*

b. Political experiences. Pérez Balladares

and his supporters often allude to his service in the Torrijos regime very positively.

This contrasts with his service in the Noriega years. During this time Pérez Balladares is often pictured--by his supporters--as an outsider who was not a friend of Noriega and someone who did not make it a habit to visit the military often, as did some other Panamanian politicians.

It must be noted that there seem to be two faces of Ernesto Pérez Balladares. Throughout the 1994 campaign for the presidency, cartoonists in Panama portrayed Pérez Balladares as a façade for former Noriega thugs. To some degree, this view is justified. The scrappy party president, Gerardo Gonzalez, is the standard bearer of the populist Noriegista sectors of the PRD. Gonzalez's son, Pedro Miguel, is wanted for a 10 June 1992 terrorist attack that killed U.S. Army Sergeant Zak Hernandez. Party president Gonzalez does not admit his son's participation in the attack, but says that it should not come as a surprise that such attacks occurred in the wake of the U.S. invasion. While President Pérez Balladares stated before the election that he wanted no amnesty for past politically-motivated crimes, Gonzalez planned to use his seat in the legislature to push for an amnesty.¹⁰⁵

Pérez Balladares himself, in playing the role of a moderate, has distanced himself from the Noriega era. Attempting to unify his party and broaden its appeal, Pérez has invoked the image of Torrijos. Pérez's challenge is to maintain control of

¹⁰⁵Tim Johnson, "Case of Slain G.I. A Test For New Panamanian Leader," Miami Herald, 18 May 1994, ISLA, Vol. 48, No. 5, May 1994.

the more radical elements within his party as vital issues are addressed.

In dealing with the United States, it is clearly the moderate face of Pérez Balladares that is shown--the U.S.-trained banker. It was this character who met with and impressed President Clinton on 20 July 1994.¹⁰⁶

b. Source of Legitimacy

While clearly more charismatic than his predecessor, President Pérez Balladares is far from an Arnulfo Arias or an Omar Torrijos. Rather, he is something more of a technocrat. While it is true that his approval rate in Panama has been very high to mid-1995, his approval rate seems to be based on the public's perception of his performance. Although he barely won the election, Pérez Balladares's source of legitimacy is rational. He was accepted by President Endara and almost all Panamanians because he won the election.

c. Campaign Platform

(1) Economic Development. During the 1994 presidential campaign, Ernesto Pérez Balladares ran as a Torrijista, in essence the Panamanian version of a Social Democrat. He, like most of the other candidates, was not specific on details of an economic program. His stands, however, were interpreted to mean that he was opposed to neoliberal policies.¹⁰⁷ With an estimated 50% of Panamanians living in poverty and with 27% unemployment in 1994 Panama, economic policy was

¹⁰⁶Eric Schmitt, "New Panama Leader: An Enemy Becomes an Ally," New York Times, 21 July 1994, p. A6.

¹⁰⁷Emilio Sinclair, "Labor Union Endorses Pérez Balladares for President," La Estrella de Panamá, 21 March 1994, p. A-1, FBIS.

an important part of the electoral debate.¹⁰⁸

The March 1994 communiqué, in which the National Central Organization of Panamanian Workers (CNTP) announced their support for candidate Pérez Balladares, is unmistakable in expressing the groups interpretation of what Pérez Balladares's economic policies would be: "with this decision `we will achieve the return of the Torrijista forces to power to stimulate the process of national liberation.'" The communiqué went on announcing support for other pro-labor candidates, including Legislative Assembly candidate Rolando Miller "who showed ability and honesty against the neoliberal and persecution policies of the current [Endara] regime."¹⁰⁹

Pérez Balladares did stress the development of the national infrastructure during the campaign. He pointed out during the election on several occasions that the highways required major work, specifically the *Transístmica* which connects Panama City and Colón and the Pan-American Highway that goes northwest of Panama City to Chiriquí and the Costa Rican border.

(2) Labor. During the presidential campaign, there was no indication by candidate Pérez Balladares of an intention to make major changes in the labor code or in the labor practices of the Panamanian government. His assumed stand was that of a traditional Torrijista and it was this stand that gained him the support of the CNTP.

(3) Amnesty. During the campaign, as candidate Pérez

¹⁰⁸Renato Pereira, "El PRD: De la Clandestinidad al Poder?," La Prensa, 22 April 1994, p. 15A.

¹⁰⁹Ibid.

Balladares attempted to distance himself for the Noriegistas, he indicated that he wanted no amnesty for past politically-motivated crimes.¹¹⁰

(4) Canal Area Transition. In discussing the future of the Panama Canal Area, Pérez Balladares made his most direct comments around the time of the visit to Panama of U.S. Representatives Phil Crane and Howard Phillips. On 8 April 1994 Pérez Balladares told the congressmen that "Compliance with the Torrijos-Carter Treaties is the most advisable thing for the United States and Panama." He added that his government would be "willing to hold talks" in response to a United States request to consider defense issues and a U.S. military presence in Panama beyond the year 2000.¹¹¹ While some labor leaders called for talks on continued basing because of fear that the loss of Department of Defense jobs resulting from base closure will make unemployment grow even higher, Pérez Balladares rejected this argument saying, "...the problem of the bases is not economical, their leaving or remaining is a military issue. Foreign bases exist in a nation because the states agree that the situation favors both nations. In the case of Panama, the North Americans have said that they are not interested in being permanently in Panama. Panamanians are capable of administering well these military bases as commercial activities."¹¹² In July after the election, Pérez Balladares continued with this line, saying that military

¹¹⁰Tim Johnson, "Case of Slain G.I. A Test For New Panamanian Leader," Miami Herald, 18 May 1994, ISLA.

¹¹¹A. Sánchez Belisle, "Pérez Balladares Outlines Position of Treaties," La Estrella de Panamá, 9 April 1994, p. 1, FBIS.

¹¹²La Prensa, 13 April 1994, p. 6A.

bases "exist due to military needs, not economic conveniences."¹¹³ These stands have been consistently maintained by Pérez Balladares--as candidate, president-elect, and president.

On the subject of the Canal itself, Pérez Balladares has never publicly expressed any doubt that Panama can successfully maintain the canal. He has stated that he "has discarded the possibility that the United States will impede delivery of the Panama Canal to Panama."¹¹⁴ Like nearly all Panamanian elites, Pérez Balladares views the Panama Canal as a national patrimony that will be received by Panama on 31 December 1999. He stated, "Thanks to the Torrijos-Carter Treaties, now it is going to be our Canal and we can utilize these areas to generate riches..."¹¹⁵ This was the view of candidate Pérez Balladares and is still held by President Pérez Balladares.

d. Activities in Office

(1) Economic Development. The economic policies that are being followed by the Pérez Balladares government in mid-1995 were not fully developed prior to Pérez Balladares's inauguration. Even in August of 1994, the incoming Minister of Planning Guillermo Chapman was making comments against neo-liberal thinking: "We will not accept conditions imposed by international financial

¹¹³Panama City Telemetro Television Network, "President-Elect on Closure of U.S. Military Bases," 1730 GMT, 14 July 1994, FBIS.

¹¹⁴Ibid.

¹¹⁵Tracy Wilkinson, "An Uneasy Passage in Panama," Los Angeles Times, 6 June 1994, ISLA, Vol.48, No.6, pp. 76-78.

organizations, nor will Panama instill measures which go against our vision of development."¹¹⁶ However, others in the administration were beginning to paint a very neo-liberal future. On the subject of economic integration with Central America, Pérez Balladares was quoted on 18 August, "Integration should be designed to help all of us win, not all of us lose."¹¹⁷ Nitzia de Villarreal, the incoming Minister of Commerce and Industries, was quoted on 19 August saying that joining NAFTA was more advisable for Panama than Central American integration, and that joining GATT "in less than a year" was advisable.¹¹⁸

By 10 October, a more complete economic consensus had developed within the Pérez Balladares and this resulted in a published document entitled: "The National Economic Plan," informally called the "Chapman Plan." Critics have complained that the Chapman Plan is identical to the "Ford Plan"--the neoliberal plan of the Endara Administration.¹¹⁹ The new document alludes to the inaugural address of Pérez Balladares:

"Vested interests, the selfishness of particular groups, and the lack of sense of solidarity with the general interests of society have prompted everyone

¹¹⁶Panama Update, No. 10, Autumn 1994, p. 2. Such a statement by Guillermo Chapman is somewhat ironic; he is described by George Priestly as "A Christian Democrat and neoliberal economist" in NACLA Report on the Americas, September-October 1994, Vol.28, No.2, p. 11.

¹¹⁷Panama City ACAN, 1906 GMT, 18 August 1994, FBIS.

¹¹⁸Juan Manuel Diaz C., "Commerce Minister-Designate on NAFTA, Trade Goals," El Panamá-América, 19 August 1994, p. 2A, FBIS.

¹¹⁹Juan Luis Batista, "Report on the President's First 100 Days in Office," La Prensa, 11 Dec 1994, p. A-6, FBIS.

to call for a change, but very few are willing to make these changes in themselves."¹²⁰

The nature of Panamanian economic history was also addressed:

The country's economic and social structure has created a "short-term mentality, which then requires that authorities make a tremendous effort "to promote change."

It is not possible to make society take a medicine whose purpose is to cure an illness from which society does not know it is suffering.¹²¹

In defining the "principal problems" the document sounds very populist and very much social democratic:

Approximately 20 percent of Panamanian families do not earn the necessary income to eat adequately. An additional 25 percent cannot fulfill their basic needs, although they are able to purchase food.

Recent and past overall growth has not resulted in more opportunities for the poor. The thick wall that prevents access by deprived groups to the benefits of growth is constructed by the privileges granted by the government so that a few may reap the profits of food production, distribution, and imports at very high prices. It has limited the possibilities for productive employment...

The wealthiest 20 percent of the population has an income 45 times higher than the average income of the poorest 20 percent. In this area, as in others, we have the second worst distribution of income, second only to Brazil...¹²²

Drawing from Pérez Balladares's inaugural address, the importance of foreign investment is noted: "the outlook for our economy is not as bright as what we wanted. It could be worse if significant foreign investments are not made."¹²³ The importance of generating foreign income via service industries was also addressed:

¹²⁰Ernesto Pérez Balladares, National Economic Plan: Public Policy for Fundamental Development With Economic Efficiency, El Siglo (Supplement), 10 October 1994, pp. 1-8, FBIS.

¹²¹Ibid.

¹²²Ibid.

¹²³Ibid., quote from Pérez Balladares's inaugural address.

The most important stimulus to growth in a small economy, particularly the Panamanian economy, is the generation of resources. In our case, three-fourths of these resources, correspond to the export of services, mainly those tied in one way or another to the Canal. These services are long-standing slow growth activities, particularly those of the Canal itself, the oil pipeline, and the U.S. military bases, that will be withdrawn over the next five years. The exception had been the Free Zone...

Internationally, the Panamanian economy is not very competitive. Our production costs prevent exports by the majority of our manufacturing industries and of a substantial portion of agricultural products...

In addition to being a poor country, Panama uses its resources inefficiently. Panama is proving that we need much more investment than other countries require in generating a unit of production...¹²⁴

The move to privatize public services was justified:

Relative to international norms, electricity, telephone, water, and ports services are exceedingly expensive and inefficient. The cost burden that this imposes on productive activities has adversely affected competition... to convert the companies that provide electricity, telephone service, and water into corporations. This would allow us to incorporate the contribution of the private sector to reorient and improve services as well as to reduce tariffs.¹²⁵

Protectionism was addressed:

The excessive protectionism constitutes a tax on the cost of living, salaries, and the price of inputs, and makes exports more expensive. The low purchasing power of Panamanian salaries is explained to a great extent by the level of protectionism in this country, considered the highest on the continent.

To be competitive, the economy must be open and free. We will therefore review the quota system and trade barriers aimed at promoting greater levels of exchange between Panama and other nations and regions.¹²⁶

As had been addressed during the campaign, the state infrastructure was also a subject of the economic plan: "The highway network, the capacity to generate electric power, the supply of drinking water, and telephone density, to mention a few

¹²⁴Ibid.

¹²⁵Ibid, quote from Pérez Balladares's inaugural address.

¹²⁶Ibid., quote from Pérez Balladares's inaugural address.

examples, remain stuck in the past."¹²⁷

The "Objectives of the Plan" are express in two general objectives and then expanded:

1. Significantly reducing extreme poverty before the end of the governments five year term. This reduction of poverty will be reflected in a relatively better distribution of income...

2. Broader and permanent economic growth will be strengthened by efficiency and greater productivity. The government will establish quantitative goals for this growth, as this will depend not only on what we do domestically, but also on international factors.

In fact, the participation of various productive sectors will be expanded to the extent that this expansion is not artificially or temporarily promoted by excessive incentives, special duty exemptions, or unregulated monopolies, which contravene the process of sustained development.¹²⁸

Trade issues were most directly address in the section titled: "Foreign Trade Policies." It is interesting to note, that this section is unique in that the language used indicates that certain actions "shall" be taken:

Membership in GATT shall be formalized. the ensuing commitments, including, among others, reducing customs duties, adopting a ceiling on customs duties, eliminating non-customs duty barriers, and adopting nondiscriminatory goods and services trade measures, shall be placed into effect.

As for integration issues, our joining the broader markets shall be actively promoted by immediately conducting a systematic study of the most suitable option, which will give priority to the feasibility and strategy of directly joining NAFTA.¹²⁹

(2) Labor. Directly confronting a key issue for Torrijistas, the publication addressed labor policy:

¹²⁷Ibid.

¹²⁸Ibid.

¹²⁹Ibid.

A guarantee of universally accepted, fundamental labor rights is the cornerstone of the position on this issue. The objectives of the labor policy are to create the necessary labor market conditions for reaching high unemployment; to draft legislation competitive with labor policies in other countries that are also attempting to attract foreign investment; and to achieve a level of productivity that will strengthen our international competitive position. Fulfillment of these goals is essential to modernizing the economy and to overcoming unemployment which requires within the short term modification of the labor code.¹³⁰

This indicates that the Pérez Balladares government is willing to dismantle the current Labor Code--a construct of the Torrijos era--in order to make Panama competitive in the international labor market. This appears to be the work of Pérez Balladares the banker, as opposed to Pérez Balladares the Social Democrat.

(3) Amnesty. The fact that President Pérez Balladares did opt for granting pardons to some criminals convicted for perpetrating political crimes during the Noriega regime did cause some friction. Critics argued that the move tarnished the image of justice in Panama. The President argued that he made the decision "in favor of national reconciliation."¹³¹ In essence, he kept his campaign pledge to not seek an amnesty; instead, individual pardons have been granted in large numbers.

(4) Canal Area Transition. On the subject of the implementation of the Panama Canal treaties, the stand of President Pérez Balladares has remained consistent. His administration is planning for Panama's receiving the Panama Canal on 31 December 1999. In addition to working to get a new title passed for inclusion

¹³⁰Ibid.

¹³¹Juan Luis Batista, "Report on the President's First 100 Days in Office," La Prensa, 11 December 1994, p. A-6.

in the Panamanian constitution, President Pérez Balladares has insinuated that he wants to control the reversion process closely. This had led to closer presidential control the Interoceanic Region Authority (*ARI-la Autoridad de la Región Interocéánica*)--an institution that was formerly advertised to be apolitical. Pérez Balladares seems to believe that through personal involvement, the reversion process might be more successful.¹³²

On the subject of managing the Canal itself, Panama is preparing for the task. A congress on the Canal is being planned for 1997 which will likely be attended by high level leadership of user nations. The congress seems to be developing as an opportunity for Panama to give users assurances of their determination to maintain a high level of professionalism in the operation of the Canal.

The Minister Counselor of the Panamanian Embassy in Washington, Fernando Eleta C. indicated that there are many ways that Panama could possibly give assurances to international users. He mentioned the possibility that Panama could nominate international members to the post-1999 Panama Canal Commission.¹³³ The issue of a smooth employee transition has also been considered by the Pérez Balladares administration and the administration is concerned that any large exodus of U.S. employees at the time of turnover could adversely affect operations. The solution

¹³²Juan Pritsiolas, "Pérez Balladares Wants Say in ARI Decisions," El Panamá-América, 25 November 1994, p. 1A, FBIS.

¹³³Fernando Eleta C., Embassy of Panama, Washington, D.C., interview with author, 29 March 1995. The examples of possible post-1999 board members that were given by Mr. Eleta were interesting: a Dutch Sea Captain, a U.S. Admiral, a Japanese government minister.

that may eventually be worked out would include the governments of the United States and Panama and the workers; the workers, if they were planning to remain beyond a certain date (such as in 1997) would be asked to contract themselves to stay beyond the transfer date (perhaps, at least until 2003). To encourage U.S. workers to remain, the Panamanians are indicating that Canal workers will continue to receive the same pay that they are now receiving.¹³⁴

On the issue of U.S. military bases in Panama beyond 1999, neither side has publicly broached the issue. Pérez Balladares has not, since inauguration, made comments against post-1999 U.S. basing. He has maintained his stand that his government is willing to discuss the issue, if the United States indicates its desire to do so. He has stated that his government would take the issue to a national referendum, as is required by the constitution.

Mr. Fernando Eleta C., at the Panamanian Embassy in Washington, indicated that whether or not there is a "bases issue" is up to the United States government. Hew indicated three basic considerations: (1) any agreement has to be passed by national referendum, (2) any agreement has to be economically significant for Panama (this could mean jobs and "not necessarily rent"), and (3) Panama expected the United States to be interested in maintaining forces in the Howard-Rodman-Kobe (HOROKO) complex and in the Jungle Training Site on Fort Davis.¹³⁵

¹³⁴Ibid., Mr. Eleta C. suggested that, in the years after 2000, perhaps Canal worker's raises could be limited to bring them in line with other government salaries, but this would be a long-term project.

¹³⁵Ibid.

e. Desired Legacy

It seems clear that President Ernesto Pérez Balladares wants to be known as the president who put Panama back on track after the "lost decade" of rule by Noriega and Endara. Economic growth in Panama is clearly the President's number one priority. His foreign policy strategy is as follows:

...the Foreign Ministry's tasks are:

- A. Preparing a harmonious transition from a U.S. administration to a totally Panamanian administration of the Panama Canal.
- B. Promoting foreign investment in Panama.
- C. Working closely with Mexico, the United States, and Canada to achieve Panama's acceptance into NAFTA, following our acceptance in GATT.
- D. Fostering and ensuring close relations with the United States in fulfilling the Torrijos-Carter treaties and in all areas of mutual interest (the fight against drug trafficking, money laundering, and illegal immigration, and trade and cultural exchanges).
- E. Achieve Panama's entry into APEC (Asia-Pacific Economic Cooperation).¹³⁶

Mr. Fernando Eleta C., from his vantage in the Panamanian Embassy in Washington, indicated that the main foreign policy goals were (1) preparation for the transition of the Canal; and (2) entry into NAFTA. This indicates a high degree of consistency throughout the Pérez Balladares government.

From developments through mid-1995, it seems that the legacy desired by President Ernesto Pérez Balladares is similar to that of Argentina's President Carlos Menem. Like Menem, Pérez Balladares has a strong political mentor whose populist economic policies have been overcome by the neoliberal economic wave. The challenge for both men is to hold onto and use the populist legacy, while making

¹³⁶La Estrella de Panamá, "Ministry Outlines President's Foreign Policy Strategy," 20 December 1994, p. B10, FBIS.

tremendous changes in their party's traditional stands on economic policy. Like Menem, it is likely that Pérez Balladares is willing to shift his position along the political spectrum in order to achieve success. Movement to the right puts extreme pressure on the Christian Democrats, Arnulfistas, and MOLIRENA, which may loose part of their supporters to Pérez Balladares, as he attempts to broaden his coalition.

In the realm of economic policy, Panama is clearly attempting to follow Chile. Mr. Fernando Eleta C. has indicated that Panama would like to be the next country after Chile to accede to NAFTA.¹³⁷ Also like Chile, Panama would like to join APEC and is taking preliminary steps towards membership.¹³⁸ These are large steps for a small nation, but clear signs that Panama is attempting to emulate Chile's economic performance and approach to economic integration.

President Pérez Balladares greatest challenge is to maintain the support of the populist factions of his own party, the PRD. He has taken some actions to appease them--the pardons list, declaring 20 December 1994 a national day of mourning for Panamanian who died during Operation Just Cause, and couching even neoliberal policies in populist terms. However, the President has clearly indicated that he desires a legacy greater than any past PRD politician. He wants to be known in history as a national leader who prepared Panama for the 21st century--someone who stood up against corruption and dealt evenhandedly with society's problems.

¹³⁷Fernando Eleta C., Embassy of Panama, Washington, D.C., interview with author, 29 March 1995.

¹³⁸Madrid EFE, 0803 GMT, 14 November 1994, FBIS.

Location of Education and Foreign Policy Behavior ¹³⁹				
Leader	High School	University	Foreign Policy: Revisionist ?	Foreign Policy: Ranking of Relations
Arias	Panama	U.S.	Yes	5
Remón	Panama	Mexico	Yes	3
Torrijos	Panama	El Salvador	Yes	4
Noriega	Panama	Peru	No	6
Endara	Argentina; U.S.	Panama; U.S.	No	2
Pérez B.	Panama	Panama; U.S.	? ¹⁴⁰	1

Table 14: Author

¹³⁹The answers in the category titled "Foreign Policy: Revisionist?" correspond to my reading of history. The ranking of "Foreign Policy Relations" from 1 to 6 reflect the quality of the bilateral Panama-U.S. relationship during each leader's rule. One (1) reflects the best bilateral relations of the five, while six (6) reflects the worst bilateral relations. These numbers reflect the overall period of rule and are based on my own subjective observation, reading, and research. Of course, the assignment of the "1" to Pérez Balladares is only based on his behavior in office through mid-1995; this score is contingent upon a continuation of similar Panamanian-U.S. relations.

¹⁴⁰This category for Pérez Balladares can only be answered with a "?" for now.

C. LINKAGES

1. Education and Foreign Policy Behavior

There seems to be no relation between location of education and foreign policy behavior. Considering the two leaders under which bilateral relations were worst--Noriega and Arias--Noriega was educated in Peru and Arias was educated at the University of Chicago and Harvard Medical School. On the other end of the scale, the two past leaders under which Panama enjoyed relatively good bilateral relations--Remón and Endara--also had very different educational experiences: Remón in El Salvador and Endara in Panama and the United States. Should President Pérez Balladares continue to enjoy good relations with the United States, some positive correlation between education in the United States and good relations could be drawn. So far, the only conclusion that we can draw from history is that contact between potential foreign leaders and the United States does not guarantee any sense of common interests in the future. In the case of Panama and based on this limited but important sample, it seems that education in the United States has not affected the foreign policy behavior of Panamanian leaders. Other research has indicated a negative relationship between studies in the United States and friendliness towards the United States.¹⁴¹

¹⁴¹See Otto Klinberg, The Human Dimension in International Relations (New York: Holt, Rinehart and Winston, 1966), pp. 110-21.

Military vs. Civilian Government and Foreign Policy Behavior			
Leader	Military or Civilian	Foreign Policy: Revisionist ?	Foreign Policy: Ranking of Relations
Arias	Civilian	Yes	5
Remón	Military	Yes	3
Torrijos	Military	Yes	4
Noriega	Military	No	6
Endara	Civilian	No	2
Pérez B.	Civilian	?	1

Table 15: Author

2. Military Rule and Foreign Policy Behavior

As with educational background, the difference in the foreign policy behaviors of civilian and military governments does not seem to be significant. Both military and civilian governments have sought revisions in the U.S.-Panamanian relationship. Of the two leaders under which U.S.-Panama bilateral relations were at their worst--Noriega and Arias--one was civilian and the other was military. Of the two leaders under which U.S.-Panamanian bilateral relations were best--Remón and Endara--one was military and the other was civilian. The case of Arias should serve as an example that elected civilian leaders are not necessarily democratic in nature or pro-U.S. in foreign policy outlook.

3. Class Origins and Foreign Policy Behavior

Otto Klineberg's The Human Dimension in International Affairs and T. W. Adorno et al's The Authoritarian Personality discuss the importance of ethnocentrism and prejudice in the conduct of international relations.¹⁴² Basically, there seems to be a correlation between the level of prejudice and authoritarianism. Class origins also seemed to be important:

Individuals who are relatively uneducated, for example, or who are low in economic status, are more likely to obtain high scores (to show more authoritarianism) than those who might be described as having a greater degree of social sophistication.¹⁴³

¹⁴²T. W. Adorno, E. Frenkel-Brunswik, D. J. Levinson, and R.N. Sanford, The Authoritarian Personality (New York: Harper & Row, 1950).

¹⁴³Klineberg, p. 124.

Class Origins and Foreign Policy Behavior ¹⁴⁴				
Leader	Social Class	Origin: Urban or Rural	Foreign Policy: Revisionist ?	Foreign Policy: Ranking of Relations
Arias	4	Rural	Yes	5
Remón	3	Urban	Yes	3
Torrijos	5	Rural	Yes	4
Noriega	6	Urban	No	6
Endara	2	Urban	No	2
Pérez B.	1	Urban	?	1

Table 16: Author

¹⁴⁴Foreign policy categories are as in previous charts. Assigned numbers in the "Social Origins" category are from one to five and are relative to each other. One represents the most elite background and five represents the most humble social background. The urban/rural category reflects whether the leader was from rural Panama, i.e. outside of Panama City, or from urban Panama, i.e. within Panama City. The assigned numbers are based on my own subjective observation, reading, and research.

There are some interesting correlations between social class and urban or rural origin and foreign policy behavior. The two past leaders under which the Panama and the United States maintained the best bilateral relations--Remón and Endara--were both from Panama City (urban) and from relatively elite backgrounds (numbers two and three in this class ranking of leaders).¹⁴⁵ Should Pérez Balladares continue his pursuit of good relations with the United States and remain deserving of a "1" ranking, this will further emphasize the apparent correlation between class ranking and good relations in Panama-U.S. relations. Of the three leaders under which the United States and Panama enjoyed the worst bilateral relationship--Noriega, Arias, and Torrijos--they were ranked in the lowest three places in terms of social class in this study. While Arias and Torrijos were both from rural areas, Noriega--under which the U.S. and Panama had the worst bilateral relations--was from Panama City.

This view of leadership and social class and origins in Panama, seems to indicate that the best relations between Panama and the United States have occurred when upper class Panamanians from Panama City were in power.

4. Source of Legitimacy and Foreign Policy Behavior

If Noriega is left out of this chart as an anomaly, then there would be a noticeable relationship between a charismatic source of legitimacy and poor bilateral

¹⁴⁵The social class ranking assigned to Remón may reflect more of a self definition than reality. The ranking was assigned based on Pippin. Also, the differentiation in social class between Endara and Pérez Balladares and the assignment of a "1" and "2" was problematic, as it was difficult to differentiate their place in Panamanian society. This said, it could be added that they could be tied for a "1" in the category of social class.

relations between the United States and Panama. The cases of Arias and Torrijos both serve as examples of charismatic leaders who sought revision in the bilateral relationship and presided over periods of relatively poor bilateral relations (ranked four and five in this study). This may indicate that leaders who rule with a rational source of legitimacy (or traditional) are more likely to enjoy good bilateral relations with the United States. Certainly these leaders are less likely to use mass demonstrations against United States interests.

Source of Legitimacy and Foreign Policy Behavior ¹⁴⁶			
Leader	Source of Legitimacy	Foreign Policy: Revisionist ?	Foreign Policy: Ranking of Relations
Arias	Charismatic	Yes	5
Remón	Traditional	Yes	3
Torrijos	Charismatic	Yes	4
Noriega	Traditional	No	6
Endara	Rational	No	2
Pérez B.	Rational	?	1

Table 17: Author

¹⁴⁶The answers in the "Source of Legitimacy" column use Weber's categories, as discussed earlier in this chapter.

VI. CONCLUSIONS: POLICY OPTIONS, PREDICTIONS, AND RECOMMENDATIONS

A. U.S. POLICY OPTIONS

In considering the implementation of the Panama Canal Treaties, there are three possible options that the U.S. and Panamanian governments can adopt: (1) complete implementation with no changes; (2) complete renegotiation with major changes; and (3) partial renegotiation.¹ There are gains and costs associated with each of these routes.

1. Option 1: Complete Implementation with No Changes

This option represents the absence of changes to the 1977 Carter-Torrijos treaties. With no renegotiation or unilateral changes, the withdrawal of military forces from Panama will continue. Finally, on 31 December 1999 at 1200 the Canal will become controlled and owned by Panama and there will be no U.S. military forces in Panama. The following section summarizes the major advantages and

¹In choosing to present three alternatives, this chapter is going against the prudent recommendations of futurist Peter Schwartz. In The Art of the Long View, Schwartz writes "Beware of ending up with three scenarios, though in practice we often do. People not familiar with scenarios or their use will be tempted to identify one of the three as the "middle" or "most likely" scenario and then will treat it as a single-point forecast, and all the advantages of a multiple-scenario methodology will be lost." (p. 233) Because speculation on the future of U.S.-Panamanian relations are so uncontrolled, the three scenario approach in this case may serve to inform and to bring divergent views closer together, that is, closer to a middle path.

disadvantages of complete implementation for the U.S. and Panamanian governments.

a. From the U.S. Point of View

(1) Advantages

(a) U.S. vessels will be able to use the Canal.

(b) Defending the Canal from internal sabotage will become a Panamanian problem. Defending it from international threats will be an international problem.

(c) The regime of Permanent neutrality legally gives the United States the right to intervene militarily to ensure the operation of the Canal. Also, it ensures that no other non-Panamanian military force can ever be stationed in Panama.

(d) Economically, the Canal has never been profitable for the United States. The Canal has been self-sustaining, but U.S. forces in Panama cost approximately \$80 million per year. Therefore, the United States might be able to expect savings.²

(e) Another economic consideration is that the Canal is a well-oiled antique and modifications are being planned, i.e. additional locks. By reverting the Canal on schedule, the United States will no longer be responsible for providing the funds to maintain or improve

²Stephen Fidler, "Panama Party of Dictators Set for Victory," Financial Times of London, 6 May 1994, ISLA, Vol.48, No.5, pp. 75-6.

the Canal.

2. Disadvantages

(a) The Canal could fall into a state of disrepair. In an extreme case the Canal could become unusable, requiring U.S. military vessels and general shipping to take alternative and more costly routes.³

(b) The loss of military bases will make logistics in Central and South America more difficult. Currently, flights from Howard Air Force Base support U.S. Department of State and U.S. Department of Defense missions in the region, particularly embassy resupply and aerial surveillance (AWACS). At Rodman Naval Station U.S. Navy ships are serviced and resupplied for their nearby counter-drug missions.

(c) It could be argued that the departure of U.S. troops from Panama could impact regional security negatively. While this concept is impossible to prove, it deserves consideration. Many forces in Latin America that have anti-democratic or anti-U.S. agendas might be less reluctant to act, knowing that there are virtually no U.S. forces in the region. While the U.S. has not traditionally asserted the importance of U.S. presence in

³Clifford Krauss, New York Times, 23 January 1991, p. A4 provides a discussion of the worsening material status of the Canal. Some in the shipping industry believe that the process of decay is well underway. For another similarly negative view, see William Matthews, "Lock Out," The American Legion, March 1994, pp. 28-59.

affecting the behavior of Western Hemisphere states, U.S. strategic planners clearly understand this concept in other areas, such as the Mediterranean and Persian Gulfs. In these areas, even small forces have been viewed as symbolically important.

(d) United States Southern Command, which is the Unified Command with responsibility for the land area from Guatemala to Tierra del Fuego, and which has been located in Panama for many years, will return to the continental United States. Some on the SOUTHCOM staff argue that they are better able to support U.S. regional policy while located in the region. However, current plans are to move the Headquarters to Miami.

(e) There are differences in understanding of what the Treaty on Permanent Neutrality means. The DeConcini Amendment, which gives the United States the right to intervene in Panama to protect the neutrality of the Canal after 2000, is viewed in the United States as strengthening U.S. rights within the context of the Carter-Torrijos treaties. However, among intellectuals and legal scholars in Panama this amendment is viewed as illegal given that it was added to the treaty after Panama had approved the original treaties in a national plebescite. While this U.S. Senate amendment was agreed to by General Omar Torrijos, it was not approved by national referendum as required by the Panamanian Constitution. In effect, future

governments might reconsider this U.S. "right" and determine that it was not properly ratified and thus has no basis in law.⁴

b. From the Panamanian Point of View

(1) Advantages

(a) Symbolic--the recovery of national sovereignty.

(b) Gaining operational and administrative control of the Panama Canal, one of the world's most strategic waterways. This will give Panama a greater status on the world stage.

(c) Returned properties can be developed, providing space for new growth in crowded Colón and Panama City.

(2) Disadvantages

(a) Loss of U.S. government jobs. It is estimated that the 10,000 U.S. troops stationed in Panama contribute \$250 million annually to the economy, 5% of the Gross Domestic Product (GDP).⁵

(b) Loss of possible future U.S. funding for modernization of the Canal.

2. Option 2: Complete Renegotiation with Major Changes

⁴For a good discussion of the Panamanian view on the subject, see Oydén Ortega Durán, "Neutralidad, Defensa y no Intervención en Los Tratados Torrijos-Carter," Tareas 83 (January-April, 1993) (Panamá: Centro de Estudios Latinoamericanos, 1993), pp.3-13.

⁵Fidler, pp. 75-6.

There are two important facets to the 1977 Carter-Torrijos treaties that this option would reject: (1) Panamanian control of the Canal on 31 December 1999; and (2) U.S. military departure from Panama, in accordance with the current schedule and no later than 31 December 1999. This option represents a reversal in U.S. and Panamanian foreign policy and could result in the maintenance of the status quo, i.e. U.S. control of the Canal and U.S. maintenance of military facilities.

Presenting this option in hypothetical terms, as is being done here, in no way suggests that this option is possible, feasible, or desirable. However, there are enough people on both sides of this issue who favor a total or nearly total reversal in policy, to justify looking at the advantages and disadvantages of this option.

Such an option would represent a great deal of political risk for both governments. While the U.S. government is under political pressure to save bases at home, there would likely be very little sympathy for maintenance of the status quo in Panama. President Pérez Balladares, even if he wanted to, cannot suggest that the status quo be maintained. While there appears some flexibility with regards to basing, there is none with regards to Panamanian control of the Canal on 31 December 1999.

a. From the U.S. Point of View

(1) Advantages

(a) This option could allow the United States to retain the status quo, i.e. control of the Canal and military bases. This could insure the efficient operation of the Canal, particularly important if some future global threat were to develop.

(b) The United States could make investment to widen the Canal, add additional locks, etc. to make the Canal able to serve well into the 21st century.

(2) Disadvantages

(a) This could sour U.S. relations with Latin America.

(b) U.S. control of the Canal after 2000 would most likely be met with defiance by many sectors in Panama.

(c) Demonstrations, similar to the Flag Riots, would possibly return, thus threatening the safety of Americans and smooth operation of the Canal.

(d) The Canal could become an obvious target for major international terrorism. It should be noted that the Hizballah--related bomb attack on 19 July 1994 that killed 19 people (12 of whom were Jewish) was carried out on a commuter aircraft that originated from France Field, a former Canal Zone facility that reverted to Panama under the treaties.⁶ This type of activity could be

⁶New York Times, 21 July 1994, p. A6.

easily directed at Canal facilities should a renegotiated agreement renew the image of the Canal as a symbol of U.S. imperialism.

b. From the Panamanian point of view

(1) Advantages

(a) U.S. government jobs could be maintained in Panama.

(b) Defense sites could possible be leased to the United States to generate more government revenue.

(c) Canal modernization could be more aggressively pursued with U.S. involvement.

(d) A high degree of good will between the United States and Panama could assist Panama in integrating into GATT and NAFTA and might guarantee Panama U.S. support in international bodies, such as the World Bank.

(2) Disadvantages

(a) A major renegotiation would represent for Panama a major and embarrassing reversal of a decades-old foreign policy.

(b) It would be a failure of the Panamanian national spirit and an admission to the world of Panama's inferiority.

(c) Any Panamanian leader who makes such a move will pay dearly politically. In the recent

presidential election, only one candidate clearly stated the desire to renegotiate the treaties, Rubén Darío "Chinchorro" Carles. He received only 16.2% of the vote.

(d) A national referendum is required by the constitution for any change to the current treaties.

3. Option 3: Partial Renegotiation

This option represents the middle ground. It could allow for the spirit of the Carter-Torrijos treaties to be implemented, but could allow for some continued U.S. involvement in the management of the Canal and limited maintenance of bases. This option does not represent any great change in the foreign policies of the United States or Panama, but would allow for talks that could address concerns of both parties, for instance: more Panamanian participation in the management of the Canal before 2000; some U.S. or international role in the management of the Canal after 2000; or limited U.S. basing rights in Panama after the year 2000.

a. From the U.S. point of view

(1) Advantages

(a) Continued U.S. involvement in the management of the Canal would allow the United States to monitor the material status of the Canal.

(b) Panama could be prevented from going to a third source for capital (possibly Japan), thus maintaining U.S. influence.

(c) A limited military presence could give the U.S. a base for regional operations and protection of the Canal.

(2) Disadvantages

(a) It is likely that some would oppose U.S. involvement of any type; this could endanger the Canal.⁷

(b) From a financial point of view, continued U.S. involvement in the management of the Canal would likely require further U.S. investment in updating the Canal for use by larger vessels.

b. From the Panamanian point of view

(1) Advantages

(a) Panama might be able to renegotiate some of the problem areas in the Panama Canal Act, particularly those aspects of the Act that limit increasing Panamanian involvement in management. For example, in exchange for some future role as observer, the U.S. might be inclined to give the Panama Canal Administrator more leeway in dealing with the transition period.

(b) A continuing U.S. military presence, at least on the side of the Canal opposite Panama City (Howard and /or Rodman) could preserve some of the jobs that would be lost should a total U.S. withdrawal occur. There

⁷This is an old argument that has been around since 1964. While I have restated it, I cannot identify any specific threat.

are currently 5,400 Panamanian employed on the U.S. bases in Panama.⁸

(2) Disadvantages

(a) Some Panamanians (a small but vocal minority) would view a change in the treaties as treason (remember the impeachment of Robles).

(b) The opposition (specifically, the Arnulfistas) would use any renegotiation attempt against the PRD in the 1999 elections.

(c) Part of the populist, Noriegista segment of the PRD would likely split off from President Pérez Balladares and PRD moderates should they opt for any renegotiation with the United States.

4. A Summary of the Hypothetical Options

Each of the three options outlined above have advantages and disadvantages for the United States and Panama. Both nations share a common interest in wanting to see the continued smooth operation of the Canal. This common desire makes it equally advantageous to the United States and the government of Panama that actions not be taken that might alienate nationalistic, anti-U.S. segments of the population that could endanger the lives of U.S. citizens in Panama and threaten the smooth operation of the Canal.

a. Option 1: Complete implementation with no

⁸Shirley Christian, New York Times, 19 April 1992, p. I-7.

changes

This is an acceptable alternative for both the United States and Panama. It is extremely attractive in the short term for both parties. The United States can use the Canal and gain savings from the base closures. Panama restores its national sovereignty and gains the opportunity to develop reverted properties.

The long term prospects for this option are more gloomy. The Canal could fall into disrepair and there will be a power vacuum left as U.S. forces depart the region. Should the 21st century contain great power contention or conflict involving the United States, then the lack of U.S. involvement and/or presence in Panama will be a strategic deficit that could perhaps require (1) significant U.S. investment to assist a friendly Panama to restore the Canal to operational status; (2) unilateral military action to guarantee the ability of the U.S. to use the Canal to the nation's strategic advantage; or (3) increased warship and sealift construction to allow the U.S. military to support worldwide operations without using the Panama Canal.

b. Option 2: Complete renegotiation with major changes

The immediate political price of this option is very high. It represents a major reversal of both nations' current foreign policies. This option would only be perceived as feasible if a major threat were bearing down on

the region, which obviously is not the case. This option could allow for the status quo operations of the Canal and defense sites, but would set up both the Canal and Department of Defense facilities in Panama as targets in a new nationalistic struggle against U.S. imperialism. Implementation of this option would likely require a reversal to pre-1979 Canal Zone conditions (i.e. increased United States control and less Panamanian access). While this is an option, it is not practicable.

c. Option 3: Partial renegotiation

This option represents some short-term political costs and good potential long-term advantages. Should the United States proposed discussions, President Pérez Balladares could accept partial renegotiation for "nationalistic" reasons, e.g. to preserve Panamanian jobs or to gain more Panamanian involvement in pre-2000 Canal management. He could also suggest that partial renegotiation is part of the effort to strengthen ties with future NAFTA trading partners. Pérez Balladares, by giving sound reasoning and reassuring Panamanians that the issue will ultimately be decided by referendum, could avoid much of the political fallout that might accompany a total renegotiation proposal. The long term advantages would be more efficient operation of the Canal (should there be some U.S. or international involvement) and an increase in Canal customer confidence (an outgrowth of a continued U.S.

presence).

B. PREDICTIONS OF PANAMANIAN FOREIGN POLICY BEHAVIOR

In conclusion, the three levels of analysis that were considered by chapters III, IV, and V--the international system, domestic politics, and leadership--will be brought together in an attempt to explain how Panamanian foreign policy is likely to develop as the year 2000 approaches.

1. Systemic Factors

In post-Cold War Latin America, the old anti-U.S., anti-free market rhetoric is increasingly passé. Throughout the region, former left-of-center populists have become the latest disciples of neo-liberal economics. Examples include Argentina's Carlos Saul Menem, Brazil's Fernando Henrique Cardoso, Chile's Eduardo Frei Ruiz-Tangle, Mexico's Ernesto Zedillo, and Panama's Ernesto Pérez Balladares.

An inherent part of the new neo-liberal thought in Latin America is the concept of regional trading blocks. The current blocs in the Western Hemisphere are NAFTA, MERCOSUR, the Andean Pact, CARICOM, and the Central American Common Market. Since the December 1994 Summit of the Americas in Miami, there is regional consensus that a single Americas Free Trade Association (AFTA) should be in place by 2005. This organization will seemingly be built around NAFTA and may be joined by blocs (such as MERCOSUR) or by individual countries (such as Chile). Panama has so far

resisted joining the Central American Common Market and the Panamanian government has made it clear that Panama desires a bilateral agreement with the United States in order to join NAFTA significantly ahead of neighboring states.

The reality of the New World Order--dominated by regional trading blocs like the European Union--makes good relations among the American states highly desirable for all parties. For Panama--a small service-oriented state which is so far not a member of the General Agreement on Trade and Tariffs (GATT) and which has resisted integration with the Central American Common Market--the New Order makes good bilateral relations with the United States a necessity. In my estimate, the systemic determinants on Panamanian foreign policy are encouraging increased cooperation with the United States.

2. Domestic Political Limitations

The nature of the New Oligarchy's domestic politics is also a positive influence on President Pérez Balladares. The traditional commercial ruling elite of Panama City have historically been predisposed to good relations with the United States. However, anti-United States popular protest can turn the ruling elite against the United States out of the desire for self-preservation. This was the case in the 1920's, in 1948, and in 1964.

President Pérez Balladares, like no leader since Torrijos, is in an excellent position to manage the domestic

politics of Panama. His credentials as a Torrijista and a businessman give him firm support from two of the major groups in Panamanian domestic politics. He has also reached out to members of the former Panamanian Defense Forces and met with positive response. Elected by the largest political party in Panama, Pérez Balladares has enlarged his coalition since election. It is likely that--like Menem in Argentina--Pérez Balladares is transforming the political spectrum in Panama and gaining new support from segments that in the past were beholden to the Arnulfistas, MOLIRENA, or other parties to the right. While aiming for neo-liberal goals that satisfy many in the commercial sector, Pérez Balladares has utilized his mantle as a populist Torrijista to retain the support of the popular classes.

President Pérez Balladares's position within Panama's domestic political system is positive for the United States. Should the United States opt to seek a partial renegotiation of the Canal treaties with Panama and if Pérez Balladares should view the proposal positively, then the likelihood of success in renegotiation and national referendum is high. Pérez Balladares is the politician that can make it happen; as pointed out in chapter 4, Pérez Balladares knows how to bailar la vara (dance the stick) better than any Panamanian politician since Omar Torrijos.

**3. Leadership: President Ernesto Pérez Balladares,
1994-1999**

Despite his previous role as a PRD party leader during the rule of Panamanian strongman Manuel Noriega, President Pérez Balladares seems to be disposed towards good relations with the United States. If history is an indicator, then Pérez Balladares --as a member of Panama's urban, upper class--is likely to continue showing a friendliness towards the United States.

While Pérez Balladares's U.S. education does not indicate any particular political disposition towards the United States, it at least ensures a degree of good communications between the Panamanian President and U.S. leadership.

Having been elected, thus enjoying a "rational" source of legitimacy, Pérez Balladares is unlikely to use the Panamanian masses against U.S. interests, as did past populist, charismatic leaders like Arnulfo Arias and Omar Torrijos. This would seem to indicate that any renegotiation of U.S.-Panamanian treaty arrangements could possibly be conducted in a more tranquil climate than that in the 1970's. Instead of facing government orchestrated protests, any protests against treaty discussions in the 1990's will likely be organized by the opposition parties.

4. Levels of Analysis: Is There One Best Approach for Panama?

In considering the three levels of analysis surveyed in this thesis, they are all useful. While studying the

international system is helpful in understanding the general atmosphere of the times and studying the leadership style of an individual can give some insight into how a leader might react, it is the domestic politics level of analysis that remains the most difficult to understand. In Panama, the domestic politics level of analysis represents the principal threat to closer Panamanian-U.S. relations. Should any negotiations begin on the post-1999 U.S.-Panamanian relation, it is this area that U.S. analysts study most. It should be remembered that domestic opposition leaders can paralyze the government in power if their interests are not met by any new agreement. Two classic examples from history are the failure of the 1948 bases agreement and the forced shelving of the Johnson-Robles Treaty in 1967. Negotiating an acceptable agreement with the government in power is simply not sufficient to guarantee success. Rather, all sectors of Panamanian domestic politics must be included: the commercial elite, the political parties, the police, the masses (i.e. popular opinion), and labor. Failure to satisfy any one of these could force the Panamanian government to abandon the process, to bailar la vara, and concentrate on survival.

C. RECOMMENDATIONS FOR U.S. POLICY-MAKERS

1. What Pérez Balladares Cannot Do

President Pérez Balladares, because he has to maintain his support base and his credentials as a nationalist, will

not approach the United States to request that U.S. bases remain in Panama. If the United States decides for strategic reasons that bases in Panama should be maintained, then the U.S. must approach Pérez Balladares with a proposal to initiate renegotiations.

2. Facing Reality

The reality that the Canal will be controlled by Panamanians as of 31 December 1999 should be accepted. Under the current legislation, the commission will continue as a U.S. government agency with appropriated funding until 31 December 1999, when it will be turned over to Panamanian control. If the crippling bureaucracy of the Panamanian government is applied to the PCC, the Canal could be clogged with a mass of paper, stamps, signatures, and seals. A meaningful effort must be made to ensure a smooth transition and not just a United States departure.⁹

3. "Moderation in All Things..."

On the issue of bases, there is a greater possibility of maintaining a U.S. presence if a medium-sized presence is sought. This view is based on the comments of Fernando Eleta C., who pointed out the importance of employment for Panamanians in any agreement for maintaining bases in

⁹Everardo Bósquez et al, "El Canal de Panamá y su Administración a Partir del Año 2000" in *Tareas* 85 (Sept.-Dec. 1993) (Panamá: Centro de Estudios Latinoamericanos, 1993), p. 27 addresses changing Panama's constitution to deal with gaining control of the Canal.

Panama.¹⁰ Basing rights, with no or few actual forces in Panama, do not help Panama solve its large unemployment problem.

4. Avoid Conflict with Business Interests

There is a greater possibility of maintaining bases in Panama if bases are sought that avoid conflict with business interests. Fernando Eleta C. pointed out that the two groups most likely to oppose any continued U.S. presence are (1) intellectuals and (2) businessmen.¹¹ These businessmen are interested in acquiring reverted properties and the most coveted properties appear to be those on the Pacific, Panama City side of the Canal, i.e. Amador, Albrook, Clayton. There have been discussions of what to do with each of these bases. However, there has been relatively little interest in the side opposite Panama City, i.e. Howard, Rodman, and Kobbe. Discussions of what to do with reverted areas in Colón have also been rather muted.

Another factor that must be considered is the effect on business interests of future plans to upgrade the Panama Canal. According to Fernando Eleta C., the recommendations for Canal upgrades that resulted from the Panama-U.S.-Japan study of the Canal's future included new locks to be built about 2020.¹² At the Canal's Pacific terminal, the new

¹⁰Fernando Eleta C., interview with author, 29 March 1995.

¹¹Ibid.

¹²Ibid.

locks would go where Rodman Naval Base is now located--virtually destroying the base. This plan might discourage Panamanian businessmen from developing Rodman and make the Panamanian government interested, but hard pressed, to find an interim use for the facility.

D. CLOSURE

The U.S.-Panamanian relationship has been a cornerstone and principal measure of the United States' relationship with Latin America as a whole. It has been the field of play of great and sometimes controversial men like Philippe Bunau-Varilla, Henry Cabot Lodge, Theodore Roosevelt, John Hay, Manuel Amador, Franklin Roosevelt, Harmodio Arias Madrid, Arnulfo Arias Madrid, José Remón Cantera, Dwight Eisenhower, Marco Robles, Lyndon Johnson, Omar Torrijos, and Jimmy Carter.

The importance of this relationship to the United States was recognized by Theodore Roosevelt, Lodge, and Mahan. As architects of the United States' "Large Policy," these "Expansionists of 1898" had a geopolitical view of the United States position in the world, dominance in the Caribbean, and significance as a two-ocean power. While the American expansion into Panama, the Philippines, Hawaii, Guam, Cuba, etc. was considered carefully in the context of U.S. strategic interests, the withdrawal from this fading empire of overseas bases and possessions seems to be occurring in an ad hoc fashion.

This thesis has not made the case that the Panama Canal is vital for U.S. security. This argument has been made many times, since it was articulated by Mahan. For any reader seriously interested in U.S. security, sufficient information is available to prove that the Panama Canal is important to the United States, both militarily and commercially.

This thesis is meant as a tool for policy makers who (1) already recognize the importance of the Panama Canal to U.S. security; and (2) are interested in what is possible between 1995 and 2000 in Panamanian foreign policy. This thesis has used three levels of analysis--the international system, domestic politics, and leadership--to view the possibilities and limitations for Panamanian foreign policy under President Ernesto Pérez Balladares.

All of the levels of analysis seem to indicate the possibility of continued good relations with Panama during the 1990's. This provides an opportunity for U.S. policy makers and strategic planners to deal with the Pérez Balladares government in meeting the United States' legitimate security concerns.

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